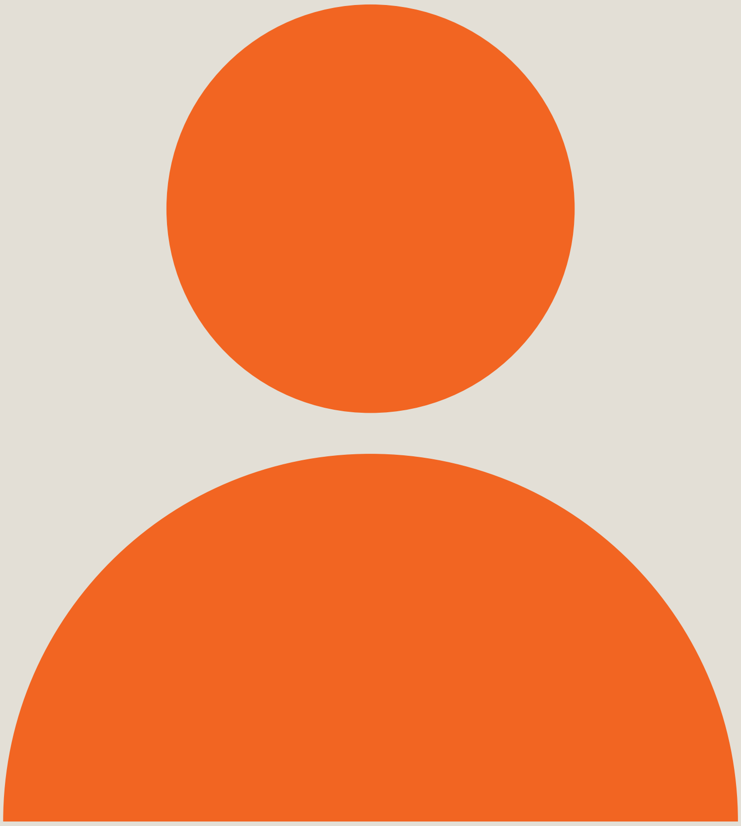
Annual Report 2021



SCBC!
Covered bonds of SBAB

Contents

Read our other reports!

The Sustainability Report for The Swedish Covered Bond Corporation (SCBC) is included in the 2022 Annual Report for the Parent Company, SBAB Bank AB (publ).

Financial calendar

Annual General Meeting	27 April 2022
Interim report Jan–Jun 2022	18 July 2022
Year-end report 2022	7 February 2023

The year in brief

Overview – SCBC

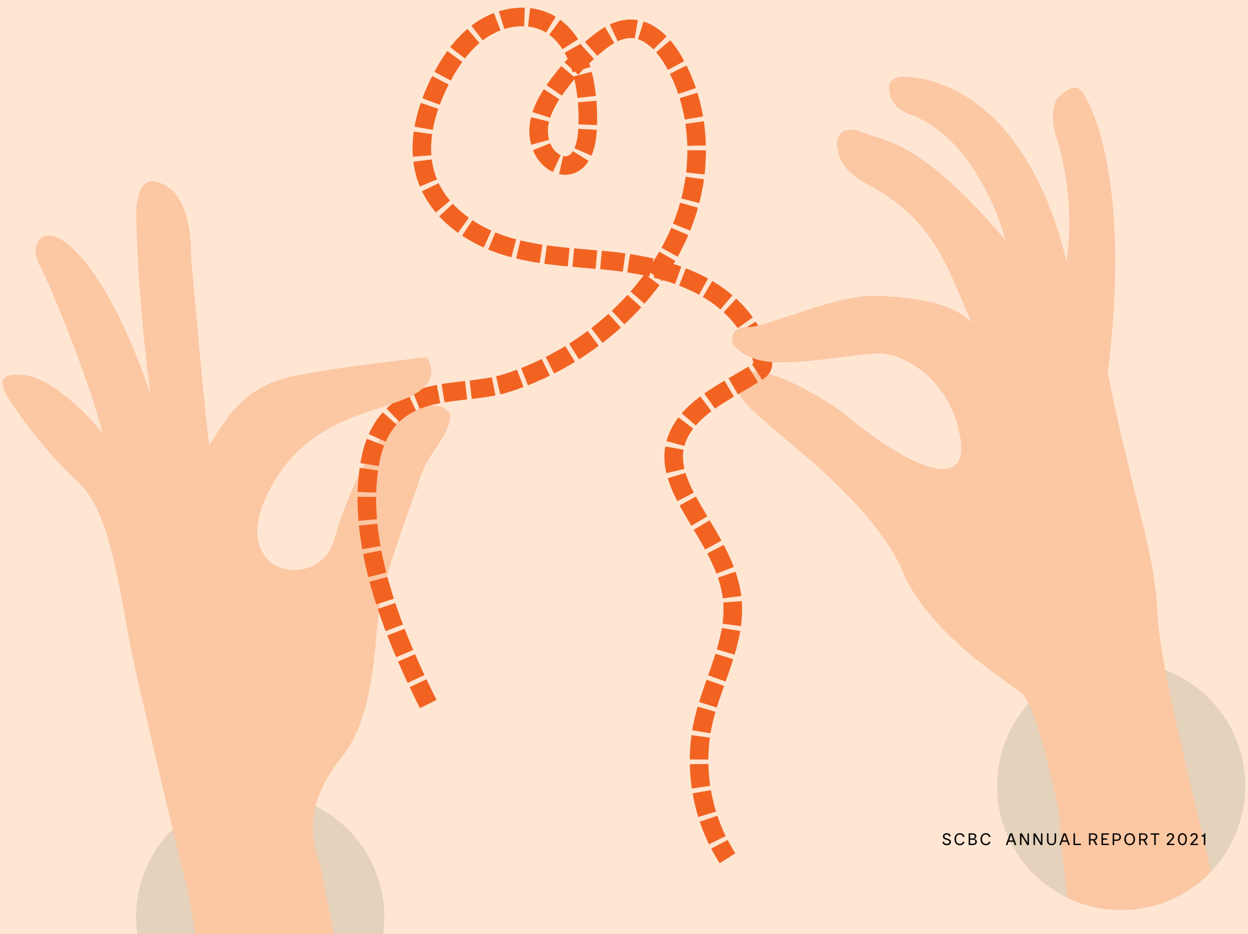
SEK million	2021	2020
Income-statement items		
Net interest income, SEK million	3,522	3,154
Operating profit, SEK million	2,119	1,797
Profit after tax, SEK million	1,682	1,413
Balance-sheet items		
Lending to the public, SEK billion	442.1	398.0
Key metrics		
Credit loss ratio, %	0.00	-0.01
Capital adequacy		
CET1 capital ratio, %	16.3	16.3
Tier 1 capital ratio, %	16.3	16.3
Total capital ratio, %	16.3	16.3
Rating, long-term funding		
Moody's	Aaa	Aaa

Net interest income, SEK million

2021	2020
3,522	3,154

Operating profit, SEK million

2021	2020
2,119	1,797

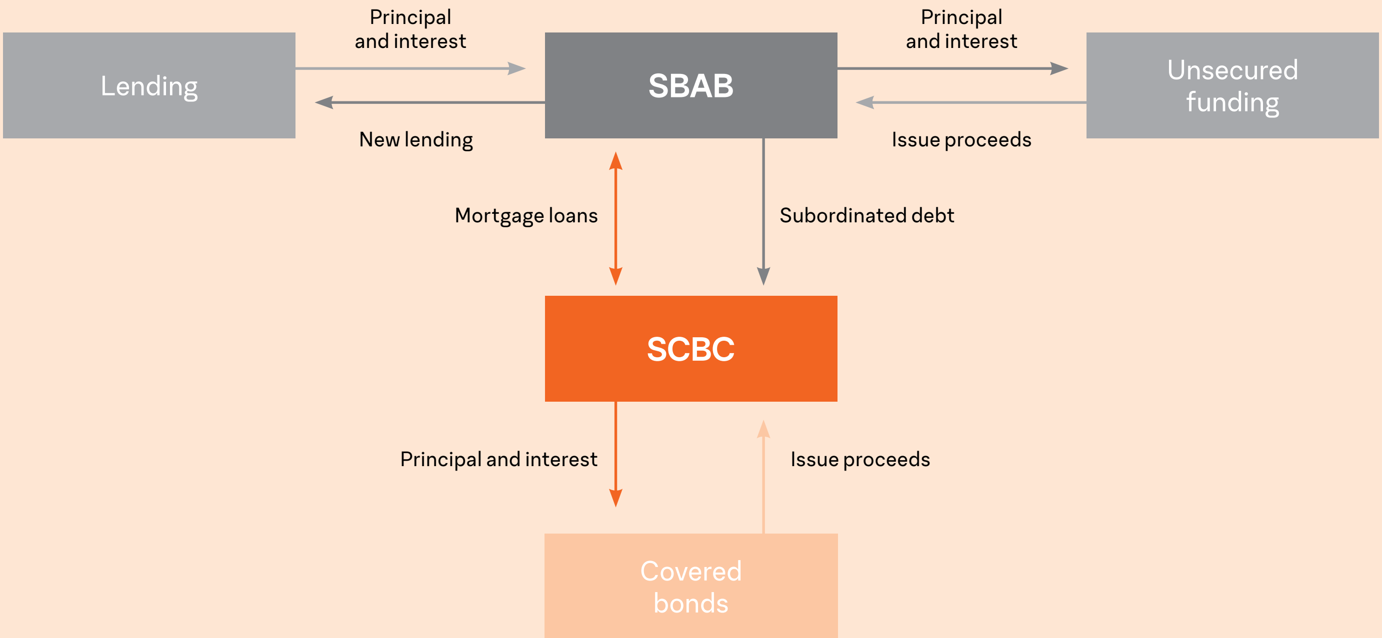


Operations

The primary operations of AB Sveriges Säkerstallda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC) comprise the issue of covered bonds to fund the lending of the SBAB Group. SBAB Bank AB (publ), (SBAB), is the Parent Company of the SBAB Group and is wholly owned by the Swedish state.

The Swedish Covered Bond Corporation (SCBC), Corp. Reg. No. 556645-9755, is a wholly-owned subsidiary of SBAB, Corp. Reg. No. 556253-7513. SCBC is a credit market company and is regulated by the Swedish Banking and Financing Business Act (2004:297) and subject to supervision by the Swedish FSA (Sweden's financial supervisory authority). The primary operations within SCBC comprise the issue of covered bonds in accordance with the Swedish Covered Bonds (Issuance) Act (2003:1223) and the Swedish FSA's regulation FFFS 2013:1. Issues are conducted both in Swedish and in international capital markets. SCBC complies with and reports to the European Covered Bond Council's (ECBC) "Labelling Initiative," and reports on a monthly basis in line with "National templates" as published by the Association of Swedish Covered Bond issuers (ASCB). SCBC is domiciled in Solna and its operating activities are mainly outsourced to the Parent Company.

SCBC's role in the SBAB Group



Lending

SCBC does not conduct any new lending itself, but instead acquires loans from SBAB Bank on an ongoing basis. The aim of securing these loans is to include the loans, in part or in full, in the assets that comprise collateral for holders of SCBC's covered bonds and derivative counterparties.

Credit portfolio
As of 31 December 2021, lending to the public amounted to SEK 442.1 billion (398.0). SCBC's portfolio mainly comprises loans for residential mortgages, with the retail market as the largest segment. The underlying collateral consists primarily of mortgage deeds in houses and multi-family dwellings, and of collateral in tenant-owners' rights. All provision of credit is conducted in the Swedish market and is geographically concentrated to the metropolitan areas, university cities and growth regions.

Cover pool
SCBC's total loan portfolio consists to around 96.3% (94.4) of assets that qualify for inclusion in the cover pool for the issuance of covered bonds. Of SCBC's credit portfolio, 92.2% (90.2) is included in the cover pool. Of the loans in the cover pool, approximately 99.9% (99.9) consist of loans against collateral in mortgage deeds or tenant-owners' rights. In calculating the loan-to-value (LTV) ratio for these loans, the upper limit of the loans' (or group of loans) LTV ratio in the collateral used – is known as the Max LTV.

Credit quality
The overall credit quality in SCBC's credit portfolio is assessed as good. SCBC only lends against pledged collateral and has no exposure to sectors that are particularly affected as a result of the coronavirus pandemic. In 2021, credit risk in SCBC's portfolio increased slightly in terms of risk-weighted assets due to the increased lending volume, primarily in the Corporate Clients & Tenant-Owners' Associations business area. However, relative credit risk improved and where the development of risk metrics that measure PD and loss given default has been positive and the metrics have declined. This trend was driven by the improved repayment capacity of customers and higher prices in the housing market during the year.

Key metrics, cover pool

	31 Dec 2021	31 Dec 2020
Total cover pool, SEK million	407,754	358,910
Credit portfolio, SEK million	442,067	398,029
Weighted average max LTV, %	52.0	54.1
Average loan amount, SEK thousand	874	803
Weighted average seasoning, years	6.6	6.3
Average remaining maturity, years [1]	1.5	1.3
Substitute collateral, SEK million	–	–

[1] Regarding maturity until the next date for changes in terms for all borrower categories.

LTV breakdown

	Credit volume			
	31 Dec 2021		31 Dec 2020	
LTV, %	SEK million	%	SEK million	%
-10	91,741	22.5	77,358	21.6
10–20	84,623	20.8	71,602	20.0
20–30	74,647	18.3	63,892	17.8
30–40	61,397	15.1	54,022	15.1
40–50	45,691	11.2	41,730	11.6
50–60	29,929	7.3	28,815	8.0
60–70	15,664	3.8	16,642	4.6
70–75	3,612	0.9	4,436	1.2
75–	0	0.0	0	0.0
Total	**407,305**	**100**	**358,497**	**100.0%**

Financial performance

Operations continue to develop favourably. Operating profit for 2021 totalled SEK 2,119 million (1,797) and net interest income amounted to SEK 3,522 million (3,154).

Development of operations
SCBC's operating profit increased to SEK 2,119 million (1,797), primarily due to higher net interest income.

Net interest income
SCBC's net interest income grew to SEK 3,522 million (3,154). Lower market interest rates resulted in lower funding costs at the same time as increased volumes were offset by lower customer interest rates. The resolution fee, which is recognised in net interest income, totalled SEK 139 million (122) for the period.

Net commission expense
The net commissions amounted to an expense of SEK 35 million (expense: 73), mainly attributable to lower costs linked to funding operations and higher commission income related to corporate transactions.

Net result of financial transactions
The net result of financial transactions increased to an expense of SEK 70 million (expense: 73), primarily due to the earnings impact from the buy back of own debt and interest compensation.

Expenses
SCBC's expenses rose to SEK 1,305 million (1,190), and mainly comprised fees to SBAB for administrative services in line with the applicable outsourcing agreements. At Group level, the increase in costs was mainly driven by an increased number of employees and thus higher personnel costs and an increase in development expenses. The cost trend is progressing according to plan and tracks the operations' development and investment strategy for long-term competitiveness.

Credit losses
Net credit losses were positive and amounted to a recovery of SEK 7 million (loss: 21). The difference between the periods was mainly attributable to increased provisions last year for expected credit losses in conjunction with the revision of the forward-looking macroeconomic information applied in the impairment model as a result of the coronavirus pandemic. Confirmed credit losses totalled SEK 3 million (2). For more information on credit losses; please refer to Note IC 5.

Capital adequacy and liquidity risk
SCBC primarily recognises credit risk under the internal ratings-based approach (IRB approach) and operational and market risk using the standardised approach. SCBC's total capital ratio and CET1 capital ratio amounted to 16.3% (16.3) on 31 December 2021. Net profit for the year is included in own funds. A Group contribution of SEK 30 million was distributed to fellow Group company Booli Search Technologies AB, which had a total impact after tax of SEK 24 million on retained earnings for SCBC. The internally assessed capital requirement amounted to SEK 12,774 million (11,462) on 31 December 2021. For more information on capital adequacy; please refer to Note RC 8.

The management of liquidity risks for SCBC is integrated with SBAB. SCBC has a liquidity facility agreement with the Parent Company, SBAB, under which SCBC can borrow money for its operations from the Parent Company when necessary.

Dividend policy and appropriation of profits
SCBC has no established dividend policy. Dividends are proposed by the Board in accordance with the provisions of the Companies Act and are resolved by the Annual General Meeting. All shares are owned by the Parent Company, SBAB. The full proposed appropriation of profits can be found on page 14.

Group contributions
In December 2021, a decision was taken to distribute a Group contribution of SEK 30 million from SCBC to fellow Group company Booli Search Technologies AB.

Updates pertaining to the MREL
A new MREL liability of SEK 5 billion was taken up in SCBC during the year. As of 31 December, total senior non-preferred debt amounted to SEK 11 billion (6).

Corporate Governance Report
SCBC's Corporate Governance Report is included in this Annual Report, see page 10. Information regarding the most important aspects of the company's system for internal governance and control can be found in the aforementioned report.

Events after the balance sheet date
Information about events after the balance sheet date is available in Note G 4.

Funding

SCBC operates primarily in the Swedish and European covered bond markets. The issue of covered bonds through SCBC is one of the SBAB Group's key sources of funding.

The annual funding requirement is influenced both by lending and by deposit volumes. SCBC does not conduct any lending activities itself, but instead acquires loans from SBAB, with the aim that these are included wholly or in part in the cover pool that serves as collateral for SCBC's covered bonds.

In general, in the markets in which SCBC is active, investor demand for SCBC's bonds was healthy during the year. The Riksbank's bond purchase programme has contributed broadly to creating healthy funding conditions in the capital market for SEK as well as for Swedish covered bonds. In 2021, the Swedish central bank purchased Swedish covered bonds for an amount equivalent to SEK 225 billion, which was a strong underlying reason for issuance levels at the year end being at historically low levels.

The Riksbank's communication and the market's expectations of lower purchase volumes by the Riksbank in the coming year led during the year, however, to periodically slightly higher and, toward year end, steeper credit spread curves for Swedish covered bonds.

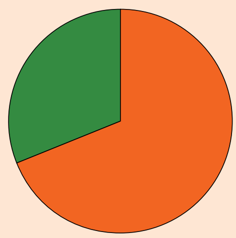
Funding programmes

SCBC's primary operations comprise the issue of covered bonds in the Swedish and international capital markets. To this end, the company makes use of funding programmes. A covered funding programme with no fixed limit is used in Sweden, while in the international market, a EUR 16 billion EMTCN programme (Euro Medium Term Covered Note Programme) is primarily used. On 31 December 2021, the total value of issued debt securities outstanding under SCBC's lending programme was SEK 300.9 billion (263.9), distributed as follows: Swedish covered bonds SEK 207.1 billion (162.3) and the Euro Medium Term Covered Note Programme SEK 93.8 billion (101.5). During the period, issued securities amounted to SEK 82.2 billion (62.9). At the same time, securities amounting to SEK 12.7 billion (20.2) were repurchased, while securities amounting to SEK 29 billion (22.3) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities of SEK 37.1 billion (17.1) in the period.

Rating

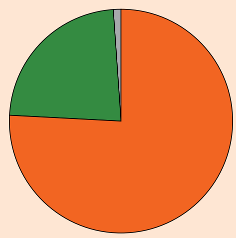
All of SCBC's funding programmes have received the highest possible credit rating of Aaa from the rating agency Moody's.

Funding – Debt outstanding, 31 December 2021: SEK 300.9 billion (263.9)



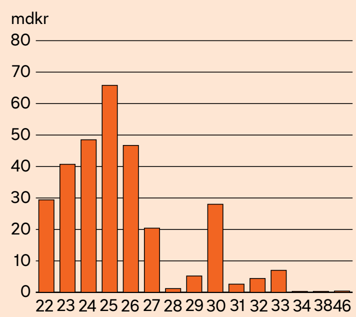
- Swedish covered bonds **69%** (62)
- EMTCN **31%** (38)

Funding — Currency breakdown, debt outstanding 31 December 2021: SEK 300.9 billion (263.9)

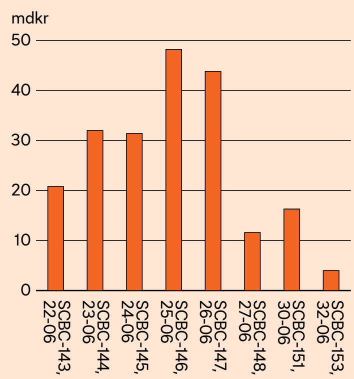


- SEK **76%** (70)
- EUR **23%** (29)
- GBP **1%** (1)

Total funding – maturity profile



Volume outstanding for SCBC's Swedish covered bonds



Risk management

SCBC's risk taking is low and is kept at a level commensurate with financial targets for return and the scope of own funds. SCBC's risks consist mainly of credit risk through its lending operations. For further information about SCBC's risk management and capital adequacy, refer to the RC notes or visit SBAB's website: www.sbab.se.

Risks in SCBC's operations

Risk is defined as a potentially negative impact that may arise due to ongoing or future internal or external events. The definition of risk includes the probability that an event occurs as well as the impact the event could have on SCBC's earnings, capital, liquidity or value.

Authority and responsibility

SCBC's Board of Directors bears the ultimate responsibility for the company's total risk exposure. It is the Board's responsibility to ensure that operations are conducted with good internal control to thereby ensure that SCBC's ability to meet its obligations is not compromised. As SCBC's operations are outsourced to the Parent Company SBAB Bank AB (publ), SBAB's CRO also acts as the CRO of SCBC. The CEO is responsible for day-to-day administration in accordance with the strategies, guidelines and policies adopted by the Board of Directors. The CEO also ensures, on an ongoing basis, that each unit, including Risk, reports in accordance with the relevant instructions to the Board. Risk is tasked with the identification, quantification, analysis and reporting of all risks. The CRO, who reports directly to SCBC's CEO and Board, is responsible for Risk.

Risk strategy

SCBC is tasked with identifying, measuring, governing, reporting internally and maintaining control of the risks to which SCBC is or may become exposed. The Board adopts the strategic direction and the overarching risk level that SCBC's operations are willing to accept, based on the company's business and how value is created for our customers. This means SCBC is to consciously expose itself only to risks that are directly connected to or are regarded as necessary for its operations. It is also about maintaining sufficient liquidity and capital to meet unforeseen events. Knowledge and awareness of any risks that SCBC may be exposed to, together with the right expertise to estimate the size of existing and potential risks, is absolutely necessary for our operations.

Risk	Description
Credit risk	The counterparty is unable to fulfil its payment obligation.
Market risk	The risk of losses or reduced future income due to market fluctuations.
Operational risk	The risk of losses due to inappropriate or unsuccessful processes, human error, faulty systems or external events, including legal risks.
Capital targets	The levels adopted by the Board of Directors for capital.
Liquidity risk	The risk of being unable to meet payment obligations on due dates without the cost of raising funds for that purpose increasing significantly.
Compliance	That SCBC does not comply with legislation, rules, ethical guidelines, good market practices or other relevant regulations for operations requiring licences and therefore is affected by statements or sanctions by the Swedish FSA, negative publicity in the media and/or reduced confidence from customers and other stakeholders.
Sustainability risk	Sustainability risks pertain to the risk of loss or reduced future income due to sustainability-related events. These include events in three categories: i) climate; ii) personnel, societal conditions and human rights; and iii) financial crime and corruption.

Risk taking
SCBC's risk taking is kept at a level consistent with our short-term and long-term plans for strategy, capital and financial stability. An important part of SCBC's business model is that the risks to which SCBC is exposed are low and predictable. In reality, this does not mean that each individual credit exposure has very low risk; rather, SCBC's total lending portfolio consists largely of low-risk loans and every loan's internal risk effect is such that the total risk is limited. The basis for SCBC's appetite for risk is that it should fit within the company's risk-bearing capacity. Risk-bearing capacity refers to the capacity to cover expected and unexpected losses without breaching the established capital requirements.

The scope of acceptable risks is clearly linked to how important these are to SCBC's business model, in other words the positive effects anticipated to be achieved in the form of expected revenue, cost savings or the mitigation of other risks. SCBC minimises undesired risks through appropriate functions, strategies, processes, procedures, internal rules, limits and controls.

Risks and uncertainties

The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets. The economic trend in Sweden is the primary risk factor for SCBC's future earnings capacity, and the quality of our assets is mainly exposed to credit risk in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks.

Population growth has outpaced housing construction for many years. This has contributed to a housing shortage and strong demand for housing. The growing proportion of home owners together with rising housing prices have led to a gradual increase in indebtedness and some highly indebted households. Housing costs as a percentage of household income are generally low, which is attributable to favourable income rends and low interest rates.

Over the coming years, market interest rates and mortgage rates are both expected to rise slowly. Since the majority of households own their own home and due to many mortgages being subject to floating interest, the Swedish economy is sensitive to rapidly rising interest rates. A risk exists that indebted households experience difficulty coping with ongoing loan payments on their mortgages as a result of rising interest rates. However, stress tests indicate that this risk is low in the event of moderate interest hikes.

Rising mortgage interest rates are expected to slow the price trend for housing to such an extent that prices decline for a few years before starting to rise again. Risks linked to rising interest rates could be increased by falling housing prices and rapidly rising unemployment. The risk largely pertains to the degree to which a downturn in prices leads to behaviour that triggers a larger price downturn, and how price uncertainty impacts housing turnover and possibilities for building new housing units.

Rising inflation has triggered long-term market interest rates to start rising, which in turn has driven up mortgage rates with slightly longer terms. In the short term, this will increase housing costs for households. However, the risks associated with rising inflation are deemed low as inflation also drives increases in households' disposable income over time, hereby resulting in a decline in mortgage debt as a share of household income. Even if real interest rates remain unaffected by inflation, higher inflation will result in a cash strain on households.

Risks related to disruptions in global credit markets and the economy
The Swedish economy is also susceptible to global economic developments and to conditions in the international financial markets. Accordingly, any disruption in global credit markets or in the global economy entails a risk for SCBC both as a participant in the Swedish market and as an issuer in the international capital market. Such disruptions could be caused, for example, by global political and macroeconomic events, changes in the monetary policies of central banks or extraordinary events such as pandemics, wars and acts of terrorism.

The coronavirus outbreak and the measures implemented to contain its spread have resulted in significant movements in the international financial markets, inter alia, in the form of falling interest rates, widening credit spreads and stock market volatility. Since the outbreak of the virus, international credit markets have now stabilised and to some extent recovered, partly due to the extensive fiscal and monetary support measures launched both in Sweden and internationally. A risk exists of further disruption in financial markets in pace with the gradual withdrawal of these stabilising support measures by issuing authorities and central banks.

On 24 February 2022, Russia launched a major military attack on Ukraine, causing great suffering to the Ukrainian people and threatening international peace and security. The outside world has responded by imposing extensive sanctions on Russia. Although SCBC has no presence in the war- or sanction-affected areas, the company is indirectly affected by the unrest through its impact on the global economy. Widespread disruption and volatility in the international financial markets has arisen from the situation in Eastern Europe and, going forward, the situation is expected to continue to affect the global economy and global financial markets. In addition, greater uncertainty with regard to economic developments in combination with rising inflation makes it difficult to assess the path of central banks going forward, which could contribute further uncertainty and volatility.

Corporate Governance Report

SCBC is domiciled in Solna. Owner governance of SCBC is exercised through general shareholder meetings, the Board of Directors and CEO in accordance with the Companies Act, the Articles of Association, and internal policies and instructions adopted by SCBC. SCBC's objective is to broaden the SBAB Group's funding opportunities and decrease its funding costs through the issuance of covered bonds.

SCBC's operations

SCBC's operations comprise the issuance of covered bonds and associated activities. In addition to the policies and instructions that have been developed especially for SCBC, each year, the Board of SCBC also adopts the policies and instructions that apply both to the Parent Company and to SCBC. This approach is suitable since SCBC's business operations are conducted by the Parent Company on assignment from SCBC and SCBC's operations serve as an instrument for the Group's funding. SCBC's targets and strategies form part of the Parent Company's funding strategy and are included in the Parent Company's business plan and the business plan adopted by SCBC.

Articles of Association

SCBC's Articles of Association govern items such as SCBC's business objectives. The Articles of Association do not include any provisions regulating the appointment or removal of Board Members, with the exception of the provision on the minimum and maximum number of Board Members. The Articles of Association require that notification of an Extraordinary General Meeting convened to address amendments to the Articles of Association must be issued not earlier than six weeks and not later than four weeks prior to the meeting.

Annual General Meeting

SCBC's Annual General Meeting was held on 28 April 2021 in Solna. The Meeting re-elected Board members Jan Sinclair (who was also elected Chairman of the Board), Jane Lundgren Ericsson and Klas Danielsson. In addition, Synnöve Trygg was elected as a new member of the Board. The Annual General Meeting passed resolutions regarding the discharge from liability for the Board of Directors and the CEO, the appropriation of profits and the adoption of the annual accounts for 2020, and fees to the Board Members who are not employees of the Group. The Annual General Meeting elected Deloitte AB, with Patrick Honeth as the auditor-in-charge, as SCBC's auditor until the close of the 2022 Annual General Meeting.

The General Meeting did not authorise the Board of Directors to issue new shares or buy back the company's shares.

Board changes during the year and the Extraordinary General Meeting

Klas Danielsson stepped down from the Board of SCBC on 8 November 2021, in conjunction with stepping down from his role as CEO of the Parent Company. Mikael Inglander, who since 8 November 2021 has been acting CEO of the Parent Company, was elected as a new member of SCBC's Board at the Extraordinary General Meeting on 25 November 2021. In conjunction therewith, he stepped down from his role as CEO of SCBC.

The Board of Directors and the Board's work

The Articles of Association stipulate that the Board of Directors is to comprise not fewer than three and not more than seven members, with no more than six alternates.

The members are normally elected at the Annual General Meeting for the period until the next Annual General Meeting. The CEO of SCBC is not a member of the Board. SCBC's Board of Directors comprises the Parent Company's CEO and members of the Board of Directors of the Parent Company.

The Board of Directors bears ultimate responsibility for the company's organisation and administration. The Board is also responsible for continuously assessing SCBC's financial position and for ensuring that the organisation is structured in a manner that enables the accounting, asset management and the company's other financial circumstances to be controlled in a satisfactory manner.

The work of the Board complies with the formal work plan adopted annually at the Board's statutory meeting immediately after the Annual General Meeting. The working procedures address summonses, agendas and quorums for Board meetings, as well as the division of duties between the Board and the CEO.

SCBC's Board makes decisions on matters relating to SCBC's strategic direction, financing, policies, and certain instructions. The Board addresses the company's year-end report, Annual Report and six-month reports, and determines their adoption and publication. The Board's measures to follow up internal control of financial reporting include the Board's regular follow-up of SCBC's performance and key performance indicators, but also include the Board's review and follow-up of the auditor's review reports. At least once annually, the Board receives reports from the independent inspector appointed by the Swedish FSA, independent risk control, internal audit and compliance regarding observations from performed reviews and assessments, as well as assessments of how well control and regulatory compliance are upheld within the company.

The names, ages, main qualifications, work experience and other assignments of the Board members and their attendance at Board meetings and its committees are detailed on page 13. None of the Board members or the CEO hold shares or financial instruments issued by SCBC. All of the shares in SCBC are held by the Parent Company.

Diversity and eligibility policies
The Board has adopted a policy pertaining to Board diversity and an instruction for assessing the eligibility of Board members, the CEO and senior executives. The diversity policy includes a prohibition against discrimination based on gender, transgender identity or expression, ethnicity, religion or other beliefs, disabilities, sexual orientation or age. The eligibility instruction states that the eligibility assessment of the Board, the CEO and the senior executives should take into account the individual's skills, experience, reputation and judgement.

The Board's committees

Audit and Compliance Committee
SCBC's Board has established an Audit and Compliance Committee. The Committee is SCBC's Audit Committee and its main task is, based on the assignment and the applicable regulations, to examine the company's governance, internal controls and financial information and to prepare issues in these areas for decision by the Board. The Audit and Compliance Committee is also responsible for monitoring financial statements and the efficiency of risk management and of the work carried out by internal audit and compliance. The Audit and Compliance Committee is also responsible for evaluating the external auditing work, informing the owner of the results of this work and assisting in the drafting of proposals for auditors. The Audit and Compliance Committee is also tasked with reviewing and monitoring the auditor's impartiality and independence. Annual plans and reports from internal audit and compliance are also addressed by the Audit and Compliance Committee in preparation for decisions or for presentation to the Board. The Committee includes Board members from SCBC's Board of Directors.

Credit Committee, Risk and Capital Committee and Remuneration Committee
SCBC has not established any Credit Committee, an own Risk and Capital Committee or an own Remuneration Committee. The Parent Company's committees also address issues concerning SCBC that are relevant at Group level as part of their work.

The principal task of the Parent Company's Credit Committee is to decide on credits and limits in the Group's lending and funding operations. The Parent Company's Credit Committee also has the task of preparing matters involving changes in the credit policy and credit instructions, the assessment of portfolio strategies, the transparency of the credit portfolio, the evaluation of existing or proposed portfolio strategies, the evaluation of existing or new delegation rights and the Board's annual review of regulatory frameworks, models for granting credits and outcomes in terms of retail credit granting. The Credit Committee is the Parent Company's Board entity for all matters relating to credit risk, including the approval of new IRB models or significant changes to existing models.

The Parent Company's Risk and Capital Committee prepares matters regarding the Parent Company's treasury operations and matters involving risk and capital, which can also encompass or be relevant for SCBC. The Parent Company's Risk and Capital Committee also prepares issues concerning objectives, strategies and control documents within the areas of risk and capital.

The principal task of the Parent Company's Remuneration Committee is to prepare issues regarding principles for remuneration and other employment terms and conditions for senior executives for resolution by the Board.

The above committees include members of the Board of Directors of the Parent Company. Matters addressed by the Board committees of the Parent Company are reported in conjunction with the meetings of SCBC's Board. At SCBC, the Board is responsible for managing the issues handled within the framework of the respective committees' assignments for the Parent Company.

CEO
The Board has adopted an instruction governing the role and duties of the CEO. The CEO bears responsibility for the day-to-day administration of operations in accordance with the Board's issued guidelines, established policies and instructions and reports on an ongoing basis to the Board. The CEO has established a management group to assist in the operational management and governance of SCBC.

As stated above, Mikael Inglander stepped down from the role as CEO of SCBC on 26 November 2021 and was replaced by Fredrik Jönsson who took over the role as of the same date.

Remuneration of Board of Directors and senior executives
Information regarding the remuneration of the Board is presented in Note IC 4 in the Annual Report. No remuneration was paid to Board members employed by the Parent Company or to the CEO of SCBC. Any matters pertaining to the remuneration of SCBC's senior executives are addressed by the Board of SCBC. The Board of Directors has established a remuneration policy, under which if the Board determines that salary or other remuneration is to be paid to employees within SCBC, the remuneration policy is to be updated in accordance with the directives issued by the Swedish FSA regarding remuneration structures in credit institutions. With regard to issues pertaining to the remuneration and other terms of employment for senior executives, SCBC is to adhere to the guidelines adopted by the general meeting and pursuant to the government's guidelines for remuneration and other terms of employment for senior officers of state-owned enterprises as applicable at any given time.

Control functions
SCBC has three independent control functions:
- a Risk Function;
- a Compliance Function (Compliance); and
- an Internal Audit Function.

The Risk and Internal Audit functions have been outsourced to the Parent Company in accordance with the outsourcing agreement. Compliance is executed by SCBC through one employee. The operations requiring licences to issue covered bonds under the Covered Bonds (Issuance) Act (2003:1223) are conducted by SCBC through its employees, mainly those in the Legal, Accounting and Treasury functions. Furthermore, SCBC has outsourced parts of its operations to the Parent Company in accordance with the outsourcing agreement; these parts include the administration of credits and collateral as well as IT services.

Risk
Certain tasks within the risk function are performed directly within SCBC, including the CRO. Moreover, SCBC has engaged the Parent Company to discharge SCBC's Risk function and to conduct the requisite tasks for ensuring independent risk control in the company. Risk is responsible for maintaining SCBC's risk management framework and for monitoring and checking risk management. The function is also responsible

for checking that the risk management framework is efficient and for identifying, measuring, checking, analysing and reporting all of SCBC's risks and risk developments. It is also responsible for identifying new risks that could arise as a result of changed circumstances. The CRO reports directly to SCBC's CEO and Board.

Compliance
SCBC's Compliance function is executed through one employee. The function is independent of the business operations and is directly subordinate to the CEO. The Compliance function is tasked with, inter alia, identifying which risks exist that would prevent SCBC from discharging its duties in accordance with laws, regulations and other provisions that govern operations requiring licences, and checking that these risks are managed by the affected functions. Compliance is primarily active in the areas of internal governance and control, customer protection and market conduct. The function is also tasked with providing advice and support on compliance matters. Compliance reports on an ongoing basis to the CEO and through a quarterly written report to the CEO and Board. The scope and focus of the work of Compliance is established in an annual plan following decision by the CEO. The Board of SCBC is informed about the annual plan.

Internal Audit
The Parent Company conducts SCBC's Internal Audit function in accordance with the outsourcing agreement. The Internal Audit's main task is to review and evaluate governance and internal control, and to review and evaluate the appropriateness and effectiveness of the company's organisation, control processes, IT systems, models and procedures. The Internal Audit is also tasked with the review and evaluation of the reliability and quality of the work performed by the various other control functions at SCBC. The Internal Audit prepares an audit plan for each financial year. The audit plan must be approved by the Audit and Compliance Committee and is adopted by SCBC's Board. The plan specifies which areas or operations will be reviewed during the year. The scope and focus of the planned review are determined after taking into consideration the Internal Audit's assessment of the risks and how these should be managed. Internal Audit also submits quarterly reports directly to SCBC's Board.

Independent inspector
According to the Swedish Covered Bond Issuance Act, the Swedish FSA is to appoint an independent inspector for each issuing institution. The inspector's duties include overseeing that the register that issuing institutions are obliged to maintain listing the covered bonds, cover pool and derivatives contracts is properly maintained and in accordance with the provisions of the Act.

The Swedish FSA's regulations describe the independent inspector's role and tasks in greater detail. The independent inspector reports regularly to the Swedish FSA, and these reports are also addressed to SCBC's Board. The Swedish FSA has appointed Authorised Public Accountant Stefan Lundberg, who is an authorised public accountant at Lundberg & Source Consulting AB, as the independent inspector for SCBC.

Auditors
From the 2016 AGM, Deloitte AB has been appointed as auditor, with Patrick Honeth as the auditor-in-charge. A more detailed presentation of the auditor as well as the auditor-in-charge's fees and expenses paid is provided in Note IC 4 of this Annual Report. The auditors are responsible for examining the Annual Report, consolidated financial statements and accounts and also the Board's and CEO's administration of the company. Moreover, the auditor reviews SCBC's six-month and year-end reports.

Internal control over financial reporting

Internal control over financial reporting at SCBC is primarily aimed at ensuring an effective and reliable process is in place for SCBC's financial reporting, and that both internal and external reporting are correct and accurate. Internal control over financial reporting primarily comprises the following internal control components.

Control environment
The starting point for internal control over financial reporting comprises SCBC's values, organisational structure, code of conduct, policies, instructions and guidelines for SCBC's operations.

Risk measurement
Each respective responsible function at SCBC identifies, measures, manages and assesses its own risks. An analysis of risk levels in all operations, including financial reporting, is conducted on a regular basis and reported to the Board, the CEO and the Executive Management. Risk measurement is carried out each year through a self-assessment of material business processes, including financial reporting, and is managed and reported using a separate risk tool.

Control activities
Business processes that deliver data to the financial reports must be charted and include control activities in terms of operating procedures, reasonableness assessments, reconciliations, authorisations and the analysis of results. Internal regulations are in place that include accounting policies, and planning and reporting procedures to ensure the application of control activities. SCBC's financial position and earnings, target attainment and analysis of operations are reported monthly to the company's management and Board. The company's Audit and Compliance Committee monitor the financial reporting and the management of internal control and audit.

Information and communication
Employees, primarily within the accounting and treasury units, ensure that instructions pertaining to accounting financial reporting are updated, communicated and available to those units that need this data for their operations.

Follow-up
The Board's measures to follow up internal control of financial reporting include the Board's regular follow-up of SCBC's financial position and performance, but also include the Board's review and follow-up of the auditor's review reports.

The Board of Directors and CEO

As per 31 December 2021

1 Jan Sinclair

Chairman of the Board
Master of Business Administration and Economics. Born in 1959. Elected in 2018.

Board assignments: Chairman of SBAB Bank AB (publ) and Fastighets Aktiebolaget Victorhuset. Board member of STS Alpresor AB, Almi företagspartner AB, Bipon AB, FCG Holding Sverige AB, FCG Group AB, FCG Management AB and Jan M.L. Sinclair AB.

Other assignments: German honorary consul, Industrial advisor (own business).

Previous assignments: CEO of SEB A.G, Group Treasurer as well as other senior positions within SEB.

Board attendance: 9 of 9.

2 Jane Lundgren Ericsson

Board Member
Master of laws, LLM (London). Born in 1965. Elected in 2017.

Board assignments: Board member of SBAB Bank AB (publ), Visma Finance AB, Copperstone Resources AB (publ) and Miskatonic Ventures Aktiebolag.

Other assignments: General Counsel Visma Finance AB and Chairman of the Board of Bagarmossen Kärrtorp Bollklubb.

Previous assignments: CEO SEK Securities and Executive Director & Head of Lending Svensk Exportkredit AB.

Board attendance: 9 of 9.

3 Mikael Inglander

Board member
Master of Business Administration and Economics. Born in 1963. Employed: 2014

Board assignments: Board Member of Booli Search Technologies AB.

Other assignments: Acting CEO of SBAB Bank AB (publ).

Previous assignments: CEO of Lindorff Sverige AB, Executive Vice President and CFO of Swedbank AB, Regional Manager and Executive Vice President of FöreningsSparbanken AB, Board member of ICA Banken, OK-Q8 Bank AB, HansaBank Group AS, and others.

Board attendance: 1 of 6.

4 Synnöve Trygg [1)]

Board Member

Degree in Economics Stockholm University, Advanced Management Program Stockholm School of Economics. Born in 1959. Elected in 2021.
Board assignments: Board member and deputy Chairman of Volvofinans Bank AB, Board member of Precise Biometrics AB and Synnöve Trygg Consulting AB.

Other assignments: CEO Synnöve Trygg Consulting AB.

Previous assignments: CEO of SEB Kort AB, Eurocard AB and Diners Club Nordic AB. Board Member of Nordax Bank AB, Trygg Hansa AB, Mastercard Europe Board and Valitor Hf.

Board attendance: 6 of 9.

5 Fredrik Jönsson

CEO
MSc in Business Administration, BSc in Economics Born in 1976. Year of employment: 2021.

Board assignments: –

Other assignments: Head of Treasury, CFO & Head of Corporate Clients & Tenant-Owners' Associations at SBAB Bank AB (publ).

Previous assignments: Numerous assignments at SBAB Bank AB (publ)'s treasury function, assignments at Länsförsäkringar Bank AB's treasury function

Auditors

Patrick Honeth

Deloitte AB

Auditor in Charge at SCBC since 2016.

1) Synnöve Trygg was elected to the Board at the Annual General Meeting on 28 April 2021. Klas Danielsson stepped down as a Board member on 8 November 2021. At the Extraordinary General Meeting on 25 November 2021, Mikael Inglander was elected as a member of the Board. Accordingly, attendance for the individuals concerned pertains only to relevant parts of the year. Klas Danielsson attended seven Board meetings

Proposed appropriation of profits

SCBC posted a net profit for the year after tax of SEK 1,682,595,393. Pursuant to approval by the AGM, Group contributions have been distributed of SEK 30,000,000 to fellow Group company Booli Search Technologies AB. According to the balance sheet, SEK 19,477,414,009 is at the disposal of the Annual General Meeting.

Shareholder contribution	9,550,000,000
Fair value reserve	843,244,288
Retained earnings	7,401,574,328
Net profit for the year	1,682,595,393
Total earnings according to the balance sheet as per 31 December 2021	**19,477,414,009**
The Board proposes that the earnings be appropriated as follows:	
Carried forward to next year	19,477,414,009
Total	**19,477,414,009**

The consolidated situation, SCBC and SBAB, must always comply with the applicable regulations for capital adequacy and major exposures. This means that sufficiently large own funds and acceptable capital must always be accessible in each legal entity. The Group's dividends are distributed by the Parent Company, while the overwhelming majority of earnings are within SCBC, which holds the majority of the assets and accordingly, is where interest income arises. The assessment of the Board of Directors is that the financial position of the company does not give rise to any other assessment than that the company can be expected to meet its obligations in both the short and the long term.

Financial statements and notes

Income statement

SEK million	Note	2021	2020
Interest income	IC 1	5,517	5,550
Interest expense	IC 1	-1,995	-2,396
Net interest income		**3,522**	**3,154**
Commission income	IC 2	24	20
Commission expense	IC 2	-59	-93
Net result of financial transactions	IC 3	-70	-73
Other operating income		0	0
Total operating income		**3,417**	**3,008**
General administrative expenses	IC 4	-1,294	-1,179
Other operating expenses		-11	-11
Total expenses before credit losses		**-1,305**	**-1,190**
Profit before credit losses		**2,112**	**1,818**
Net credit losses	IC 5	7	-21
Operating profit		**2,119**	**1,797**
Tax	TX 1	-437	-384
Net profit for the year		**1,682**	**1,413**

Interest income on financial assets measured at amortised cost calculated using the effective-interest method amounted to SEK 5,645 million (5,581).

Statement of comprehensive income

SEK million	Note	2021	2020
Net profit for the year		**1,682**	**1,413**
Other comprehensive income			
Components that will be reclassified to profit or loss			
Changes related to cash-flow hedges, before tax	EQ 1	-1,731	464
Tax attributable to components that will be reclassified to profit or loss		*357*	*-77*
Other comprehensive income, net of tax		-1,374	387
Total comprehensive income for the year		**308**	**1,800**

Balance sheet

SEK million	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Lending to credit institutions	A 1	1	1
Lending to the public	A 2	442,067	398,029
Value changes of interest-rate-risk hedged items in macro hedges		-563	143
Derivatives	A 3	5,902	9,289
Other assets	A 4	49	248
Prepaid expenses and accrued income	A 5	118	113
TOTAL ASSETS		**447,574**	**407,823**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	L 1	15,414	10,615
Issued debt securities, etc.	L 2	300,913	263,863
Derivatives	A 3	2,120	1,690
Other liabilities	L 3	43	743
Accrued expenses and deferred income	L 4	1,614	1,568
Deferred tax liabilities	TX 2	225	586
Subordinated debt to the Parent Company	L 5	107,718	109,515
Total liabilities		**428,047**	**388,580**
Equity			
Share capital		50	50
Shareholder contribution		9,550	9,550
Fair value reserve	EQ 1	843	2,217
Retained earnings		7,402	6,013
Net profit for the year		1,682	1,413
Total equity	EQ 1	**19,527**	**19,243**
TOTAL LIABILITIES AND EQUITY		**447,574**	**407,823**

Statement of changes in equity

SEK million	Note	Restricted equity	Unrestricted equity				
		Share capital	Fair value reserve	Shareholder contri-bution	Retained earnings	Net profit for the year	Total equity
Opening balance, 1 Jan 2021		50	2,217	9,550	7,426	–	19,243
Group contribution paid [1]		–	–	–	-24	–	-24
Other comprehensive income, net of tax	EQ 1	–	-1,374	–	–	–	-1,374
Net profit for the year		–	–	–	–	1,682	1,682
Comprehensive income for the year		**–**	**-1,374**	**–**	**–**	**1,682**	**308**
Closing balance, 31 Dec 2021		50	843	9,550	7,402	1,682	19,527
Opening balance, 1 Jan 2020		**50**	**1,830**	**9,550**	**6,602**	**–**	**18,032**
Group contribution paid		–	–	–	-589	–	-589
Other comprehensive income, net of tax	EQ 1	–	387	–	–	–	387
Net profit for the year		–	–	–	–	1,413	1,413
Comprehensive income for the year		**–**	**387**	**–**	**–**	**1,413**	**1,800**
Closing balance, 31 Dec 2020		**50**	**2,217**	**9,550**	**6,013**	**1,413**	**19,243**

[1] SCBC paid a Group contribution of SEK 30 million (30) to fellow Group company Booli Search Technologies AB. The shareholder contributions that were paid were conditional and the Parent Company, SBAB Bank AB (publ), is entitled to reimbursement for these contributions from the Swedish Covered Bond Corporation's distributable earnings, with the proviso that the Annual General Meeting grants approval thereof.

Cash-flow statement

SEK million	2021	2020
Opening cash and cash equivalents	**1**	**0**
OPERATING ACTIVITIES		
Interest received	5,517	5,546
Commission received	28	14
Interest paid	-1,945	-2,535
Commission paid	-59	-93
Outflows to suppliers	-1,306	-1,190
Income tax paid	-500	-498
Change in lending to the public	-44,031	-39,114
Change in liabilities to credit institutions	4,799	10,612
Change in issued debt securities, etc.	40,139	15,968
Change in other assets and liabilities	-96	4,520
Cash flow from operating activities	**2,546**	**-6,770**
INVESTING ACTIVITIES		
Cash flow from investing activities	**–**	**–**
FINANCING ACTIVITIES		
Dividends paid	–	–
Group contribution paid	-749	-564
Subordinated debt issued	-1,797	7,335
Cash flow from financing activities	**-2,546**	**6,771**
Increase/decrease in cash and cash equivalents	**0**	**1**
Closing cash and cash equivalents	**1**	**1**

Comments to the cash-flow statement
The cash-flow statement is reported in accordance with IAS 7 and cash and cash equivalents are defined as lending to credit institutions.

Change in liabilities attributable to financing activities

			Non-cash items					Non-cash items		
SEK million	Opening balance, 1 Jan 2021	Cash flow	Fair value	Other	Closing balance, 31 Dec 2021	Opening balance, 1 Jan 2020	Cash flow	Fair value	Other	Closing balance, 31 Dec 2020
Subordinated debt	109,515	-1,797	–	–	107,718	102,180	7,335	–	–	109,515
Total	**109,515**	**-1,797**	**–**	**–**	**107,718**	**102,180**	**7,335**	**–**	**–**	**109,515**

Financial notes

G General information and overriding accounting policies

pp. 21–26

G:1 Accounting policies

The Swedish Covered Bond Corporation (SCBC) (in Swedish: AB Sveriges Säkerställda Obligationer (publ)) is a wholly-owned subsidiary of SBAB Bank (publ) ("SBAB"). SCBC is a credit market company whose operations focus on the issuance of covered bonds.

Operations commenced in 2006, when the company was granted a licence by Finansinspektionen (the Swedish FSA) to issue covered bonds. The Parent Company, SBAB Bank, is a Swedish public limited banking company domiciled in Solna, Sweden. The address of the Head Office is SBAB Bank AB (publ), Box 4209, SE-171 04 Solna, Sweden.

This Annual Report has been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. SCBC applies statutory IFRS, which means that the Annual Report has been prepared in compliance with IFRS subject to the additions and exceptions that ensue from the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and Finansinspektionen's (the Swedish FSA) regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25).

The Annual Report has been prepared in accordance with the cost method, apart from derivatives, and financial assets and liabilities measured at fair value through profit or loss (FVTPL), and hedge-accounted items.

On 21 March 2022, the Board of Directors approved the financial statements for publication and these await final adoption by the Annual General Meeting on 27 April 2022.

These financial statements have been prepared on a going concern basis. On 21 March 2022, the Board of Directors approved the financial statements for publication.

Introduction of new and amended accounting standards, 2021

Amendments resulting from the Interest Rate Benchmark Reform—Phase 2 Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments address the accounting issues that arise when financial instruments benchmarked against interbank offer rates (IBORs) transition to alternative benchmark interest rates. The new rules include a practical expedient for modifications required by the Interest Rate Benchmark Reform, to be treated as changes to a floating interest rate. They also permit changes required by the Interest Rate Benchmark Reform to be implemented in hedge designations and hedge documentation without the hedging relationship being discontinued. The adoption had no impact on the SCBC's financial position, earnings, cash flow or disclosures.

Other amendments

Other amended and introduced accounting standards have had limited impact on the Group's accounting and financial reports.

Financial instruments

Recognition in and derecognition from the balance sheet

Financial instruments are recognised when the company is involved with the instrument's contractual terms. Issued securities, including all derivatives, are recognised on the trade date, meaning the date on which the significant risks and rights are transferred between the parties. Other financial instruments are recognised on the settlement date. A financial asset is derecognised from the balance sheet when the contractual rights to receive cash flows from the financial asset expire and the company has transferred essentially all of the risks and rewards of ownership of the asset. A financial liability is derecognised from the balance sheet when it is extinguished, meaning when the obligation specified in the contract is fulfilled, cancelled or has expired.

Offsetting

Financial assets and financial liabilities are to be offset and recognised at net amounts only where the recognised amounts may legally be offset and the intention is to settle the items with a net amount or to simultaneously realise the asset and settle the liability.

Recognition of income and expense

Interest income and interest expense (including interest income from impaired receivables) are recognised using the effective-interest method. The calculation of the effective interest rate includes all fees paid or received between the parties to the contract, including transaction costs.

Since transaction costs in the form of remuneration to business partners or issue expenses attributable to the acquisition of loans constitute part of the acquisition cost of the loan, these costs are recognised in the balance sheet and recognised in profit or loss under net interest income over the expected tenor of the loan.

IFRS 15 – Revenue from Contracts with Customers is applied for various types of services that are mainly recognised in profit or loss as Commission income.

Commission income from lending is primarily recognised when the service is provided, in other words at a specific date. Commission expenses are included in profit or loss continuously in accordance with the contractual terms. In the event of premature redemption of loans, the customer pays interest compensation intended to cover the cost that arises for SCBC. This compensation is recognised as income directly under the "Net result of financial transactions." Other items under this heading are described in the "Classification" section.

Classification

All financial instruments covered by IFRS 9 are classified pursuant to this standard in the following categories:

- Financial assets measured at amortised cost
- Financial assets measured at FVTPL
- Financial liabilities measured at FVTPL
- Financial Liabilities measured at amortised cost

SCBC has no assets under the classifications "Investments measured at FVTOCI." The instruments in the respective categories are valued in the following reporting, and where applicable, together with the required adjustments under the hedge accounting rules.

Financial assets measured at amortised cost

Assets in this category are recognised at cost, defined as fair value plus transaction costs, on the acquisition date and thereafter at amortised cost after application of the effective-interest method. This category consists of assets that are held within the framework of a business model where the objective is to hold financial assets in order to collect contractual cash flows solely comprised of capital and interest. The assets in this category encompass lending and other assets that meet the above terms. Impairment losses are recognised in profit or loss under "Net credit losses," while the effective interest rate is recognised as interest income. Refer also to the "Credit losses and impairment of financial assets" section.Realised gains or losses from the sale of assets are recognised directly in profit or loss under "Net result of financial transactions."

Financial assets measured at FVTPL

On initial recognition, assets in this category are recognised at fair value, while related transaction costs are recognised in profit or loss. Changes in fair value and realised gains or losses for these assets are recognised directly in profit or loss under the heading "Net result of financial transactions," while the effective interest rate is recognised as interest income. This category includes assets that do not meet the definitions for other valuation categories and, accordingly, are measured at FVTPL. (For example, assets with cash flows other than capital and interest on capital). At SCBC, these assets consist exclusively of derivatives.

Financial liabilities measured at FVTPL

On initial recognition, liabilities in this category are recognised at fair value, while related transaction costs are recognised in profit or loss. The category is divided into financial liabilities held for trading and financial liabilities that Executive Management has designated as such upon initial recognition. All of the company's liabilities in this category consist of derivatives that are used to hedge financial risk and which have been defined as held for trading in the financial reporting. Changes in fair value and realised gains or losses for these liabilities are recognised in profit or loss under "Net result of financial transactions," while the effective interest rate is recognised as interest expense.

Financial liabilities measured at amortised cost
Financial liabilities that are not classified as "Financial liabilities measured at FVTPL" are initially recognised at fair value with an addition for transaction costs and are subsequently recognised at amortised cost using the effective-interest method. This category consists mainly of issued securities and liabilities to credit institutions. Realised gains or losses from the repurchase of own liabilities affects net profit for the year when incurred and are recognised under the heading "Net result of financial transactions," while the effective interest rate is recognised as interest expense.

Repos
Repos are agreements where the parties have reached agreement on the sale and repurchase of a particular security at a pre-determined price. Securities that have been provided or received under these repo agreements are not derecognised from or not recognised in the balance sheet, respectively. Payments received are recognised in the balance sheet as liabilities to credit institutions and payments made are recognised as lending to credit institutions. The impact on profit or loss is attributable to the difference between sale and repurchase prices and is recognised as interest income or interest expense, respectively.

Fair value measurement
Fair value is defined as the price that would be received on the valuation date on the sale of an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants. Fair value measurement of financial instruments measured at fair value and traded on an active market is based on quoted prices (Level 1). If the market for a financial instrument is not active, the fair value is established on the basis of generally accepted measurement methods (Level 2). As far as possible, calculations made in conjunction with measurement are based on observable market data. The main tools used are models based on discounted cash flows. In individual cases, the calculations may also be based on assumptions or estimates (Level 3).

Derivatives and hedge accounting
Derivatives are used primarily to manage interest-rate and currency risk in the company's assets and liabilities. The derivatives are recognised at fair value in the balance sheet. For economic hedges where the risk of a significant fluctuation in profit or loss is the greatest and that meet the formal hedge accounting criteria, SCBC has chosen to apply hedge accounting for the hedging of interest-rate and currency risk. There are also other economic hedges for which hedge accounting is not applied. For hedge accounting, the carve-out version of IAS 39 is applied, as adopted by the EU.

Fair value hedges
In the case of fair value hedges, the derivative hedging instrument is measured at fair value at the same time as the hedged asset or liability is measured with an addition for accumulated changes in fair value attributable to the hedged risk associated with the hedged item. Changes in fair value are recognised directly in profit or loss under the "Net result of financial transactions." The effective interest rate of the hedge is recognised in net interest income.

If hedging relationships are terminated, the cumulative gains or losses are accrued in profit or loss, after adjustment of the carrying amount of the hedged item. The accrual extends over the remaining maturity of the hedged item. Both the accrual and the realised gain or loss arising from premature closure of a hedging instrument are recognised in profit or loss under "Net result of financial transactions."

Macro hedges
In this type of hedging, derivatives are used at an aggregated level to hedge structured interest-rate risks. In the financial statements, derivatives designated as macro hedges are treated in the same way as other fair-value hedging instruments.

In fair value hedges of portfolios of assets, the gain or loss attributable to the hedged risk is recognised under "Value changes of interest-rate-risk hedged items in macro hedges" in the balance sheet. The hedged item is a portfolio of lending transactions based on the next contractual renewal date. The hedging instrument used is a portfolio of interest-rate swaps grouped in accordance with renewal intervals based on conditions in the fixed leg of the swap.

Cash-flow hedges
In the case of cash-flow hedges, the hedging instrument (the derivative) is valued at fair value. The effective part of the total change in value is reported as a component in other comprehensive income and accumulated in a separate reserve (hedge reserve) in equity. The accumulated amount is reversed in the income statement in periods where the hedged item affects the profit or loss. The ineffective part of the derivative's change in value is transferred to the income statement under "Net result of financial transactions," where the realised gain or loss arising at the end of the hedge relationship is recognised. The effective interest rate of the derivative is recognised in net interest income.

Credit losses and impairment of financial assets

Changes in expected credit losses (ECL) during the year, together with deductions for guarantees expected to be utilised or that have been utilised plus any recoveries, are recognised as credit losses on the income statement. The term "confirmed credit losses" refers to losses where the amounts are definite or established with a high level of probability and have thus been derecognised from the balance sheet.

Impairment – Expected credit losses (ECL)
Where in the balance sheet a loss allowance is recognised depends on the classification of the financial asset under IFRS 9 and its cash flow characteristics:

- For financial assets measured at amortised cost, the loss allowance is recognised as a deductible item together with the asset.
- For financial assets measured at FVTOCI, the loss allowance is recognised in equity.
- For exposures that are not recognised in the balance sheet (for example, loan commitments and building credits), the loss allowance is recognised as a provision under liabilities on the balance sheet.

ECL for lending portfolio
Under IFRS 9, following initial recognition, financial assets in lending operations are divided into three stages according to their relative credit risk:

Change in credit risk

	Stage 1	Stage 2	Stage 3
Timing	From initial recognition	On a significant increase in credit risk following initial recognition	On default
Loss allowance	12-month ECL	Lifetime ECL	Lifetime ECL
Interest income	Based on gross carrying amount	Based on gross carrying amount	Based on net carrying amount

Depending on the credit stage, the loss allowance is determined by calculating the ECL over the next 12-month period or the remaining expected lifetime of the loan. Loans can migrate between stages from one balance-sheet date to another. This is decided based on changes in the credit risk compared with initial recognition. Interest income for loans in stage 3 are based on the net carrying amount after deduction of the loss allowance, while interest income for loans in other stages is based on the gross carrying amount.

Credit stage 1
Loans will, at a minimum, have a loss allowance that corresponds to a 12-month ECL. Three main risk parameters are taken into consideration when measuring ECL; Probability of default (PD), Loss given default (LGD), and Exposure at Default (EAD), where the product results in the ECL. To calculate the 12-month ECL, SCBC uses its credit risk models under the internal ratings-based approach (IRB) which are intended for capital adequacy purposes, but where appropriate adjustments have been made to ensure an accurate and point-in-time value of the ECL, that reflects both the prevailing as well as forward-looking information. The adjustments include the removal of margins of conservatism and the through-the-cycle calibration of the risk parameter estimates through an economic cycle as stipulated in the Capital Requirements Regulation (CRR). This way, the ECL reflects the actual credit risk. Moreover, the effects of macroeconomic factors, which constitute the forward-looking information, are applied to the risk parameter estimates to capture variations of possible outcomes in ECL. The same procedure for adjusting the risk parameters from IRB is also applied in stages 2 and 3. For more information on IRB, please refer to Note RC 1.

Credit stage 2
For loans where the credit risk has increased significantly since initial recognition, the loss allowance will correspond to a lifetime ECL. Assessments of whether a significant increase in credit risk has occurred is made on an individual and a collective basis for homogeneous credit risk groups, known as rating grades. SCBC assesses whether credit risk has increased significantly since initial recognition by measuring the deviations from an expected PD trajectory for the original rating grade. In addition to measurement of the change in PD, an assumption of a significant increase in credit risk in payments more than 30 days past due is also applied. No other qualitative indicators exist for the assessment of a significant increase in credit risk, instead, qualitative factors are taken into account when estimating PD, which also includes manual

adjustments of rating grades for borrowers in the Corporate Clients & Tenant-Owners' Associations business area.

Credit stage 3
Credit impaired loans should be assigned a loss allowance that corresponds to a lifetime ECL. The internal default definition is applied to determine whether a loan has suffered credit deterioration. SCBC deems a default to have occurred if any of the following criteria are met:

- The borrower has entered into liquidation, officially suspended payments or applied for a composition;
- The borrower has payments that are overdue by more than 90 days;
- The credit has been restructured and the borrower been granted forbearance measures;
- The borrower is categorised as insolvent based on expert judgements for unlikeliness to pay.

Measuring significant increases in credit risk
To measure significant increases in credit risk, historical default rates have been analysed in terms of the PD trend over time given the original rating grades at initial recognition. The thresholds representing a significant increase in credit risk are determined through analysis of relative deviations from expected PD trajectory for each of the original rating grade. The thresholds encompass PD deviations that constitute the tenth percentile of yearly cohorts extending from the start of year 2000 and onwards. A significant increase in credit risk is considered to have taken place if the PD for a loan in a given month exceeds the corresponding threshold. The loan then migrates to stage 2 and remains there for as long as its PD is above the threshold. The thresholds are calibrated with a statistical test using correlation coefficients where the PD levels are based on the maximised identification of future confirmed credit losses for non-credit-impaired loans (not belonging to stage 3), while the identified proportion that does not lead to a loss is minimised. Migration from stage 2 to stage 1 is controlled exclusively by the PD threshold together with the estimate for payments more than 30 days past due, as prescribed in IFRS 9. No probation period is applied for migrations back to stage 1. The bank has not deemed this necessary since PD is largely based on the borrower's payment history, which entails a certain time delay.

Forward-looking information
Forward-looking information is used to account for future cyclical fluctuations in the economy when calculating ECL and thus achieve an objective estimate that considers variations in outcome. The forward-looking information comprises forecasts of macroeconomic factors that are highly significant for the Swedish housing market and that strongly correlate with default rates and confirmed credit losses in lending. The forward-looking information extends 36 months forward and is aligned with the forecast period applied in SCBC's internal capital and liquidity adequacy assessment process (ICLAAP). Moreover, 36 months is considered to encompass the effective period of an economic downturn (or upturn). After 36 months, the bank assumes that the economy will swing back to the baseline as per the balance-sheet date, which will thereafter apply for the remaining time until maturity for the loans. The assumption has been assessed as reasonable since loans have relatively limited expected maturities – less than ten years – and the occurrence of several consecutive major economic fluctuations over the remaining maturity is deemed unlikely. The repo rate and unemployment are both factors with clear correlations to PD and default in the Swedish housing market. Changes in the repo rate will indirectly affect borrowers' interest expenses, while changes in employment will directly impact their capacity to pay. To measure the effect on PD, a linear regression has been used, where the changes in the two macroeconomic factors explain the changes in the bank's default rates. For LGD, housing prices have been used as macroeconomic factors to explain the changes in loss rates. As credit losses on secured lending are largely attributable to the loan-to-value (LTV) ratio and thereby to market values of collateral, a perfect correlation with the LGD is deemed to exist here. Therefore, a simple scaling of the LGD is carried out to reflect the effect of this factor. The forward-looking information should be viewed as an adjustment to the two risk parameters, PD and LGD, which impact both the allocation of credit stages and the level of the ECL. In the identification of the macroeconomic factors, correlations between factors were also analysed to in order to ensure reasonable scenarios. With regards to EAD, cash flows are projected by the amortisation schedule. An early redemption factor has also been applied to take into account the expected remaining duration of the loan. The same macroeconomic factors and their effects are applied consistently for the entire lending portfolio. Currently, four scenarios are modelled, in which positive and negative forecasts for the above macroeconomic factors are evaluated. These scenarios are deemed to be sufficient to capture the range of possible outcomes in ECL based on prevailing economic conditions. The final ECL is then weighted according to the likelihood that SCBC will experience credit losses of the scale envisaged in respective scenario. Internal data of experienced default and credit loss rates, together with forward-looking information analysed through macroeconomic factors in various scenarios, ensures that SCBC obtains an objective and probability-weighted ECL pursuant to IFRS 9.

Decisions on forward-looking information and management overlays
The Chief Risk Officer, supported by the Economic Economist and credit risk experts, submits proposals for updates in the forward-looking information and additionally the likelihood for scenario weights based on expert-judgement. The proposals are presented to the Assets and Liabilities Committee (ALCO), which then takes decisions regarding the forecasts for macroeconomic factors and the weighting of the ECL for the respective scenario. The decision from ALCO also needs to be approved by relevant board members in the Risk and the Capital Committee (RKK).

In the event of larger shocks to the housing or financial markets, manual adjustment in form of management overlays of the ECL may be necessary. As for the forward-looking information, proposals are submitted to ALCO for decision which subsequently are to be approved by RKK. Adjustments may involve add-ons to both PD and LGD and should be managed in the same way as the forward-looking information. Where adjustments must be made to loans within geographical areas or certain product types that are particularly affected by the shocks, a manual allocation of ECL may be needed.

Time value of money
Under IFRS 9, the ECL for loans with variable interest rates should be discounted with the effective interest rate. All loans in SCBC's lending portfolio are deemed to have variable interest rates with different maturities. The nominal interest rate of the loan according to actual terms and conditions has been used as an approximation of the effective interest rate. Since no arrangement fees are charged to borrowers and invoicing charges only arise to a limited extent, the bank assesses this as a reasonable approximation.

Uncertainty in calculating ECL
The largest source of uncertainty in calculating the ECL is the forward-looking information. SCBC simulates ECL in several scenarios that are both positive and negative in nature to capture the variation in the outcome for future confirmed credit losses. The macroeconomic factors impact the risk parameters PD and LGD and has in turn a significant impact on the final ECL. The estimate of the ECL varies depending on the choice of weights assigned to the forward-looking scenarios. For information about the scenarios applied at the closing period, scenario weighting and the variation in ECL that demonstrates the sensitivity of the forward-looking information, please refer to Note RC 1.

Another source of uncertainty is the PD threshold level, which is assessed as representing a significant increase in credit risk. The thresholds have a direct impact on the size of the ECL. The following table presents how lending is allocated over the credit stages for various PD thresholds and how large the ECL change is based on the current threshold, which corresponds to deviations in PD at the tenth percentile.

Sensitivity analysis of PD thresholds

Allocation of EAD over credit stage and change in ECL	Percentile 20	10	5
Credit stage 1	88.1%	94.3%	97.7%
Credit stage 2	11.9%	5.6%	2.2%
Credit stage 3	0.1%	0.1%	0.1%
Δ ECL	**20.1%**	**–**	**-18.2%**

Modification of financial assets
If the contractual cash flows from a loan are renegotiated or otherwise modified, SCBC assesses whether the change is significant to the extent that the modification will lead to derecognition or will result in a modification gain or loss. The change is deemed material when the renegotiated terms entail that the discounted present value of cash flows differs more than 10% from the present value according to original terms and conditions. The 10% threshold for materiality is decided based on a qualitative assessment of what is considered a reasonable level. Moreover, this level corresponds to the materiality threshold for modification of debt instruments pursuant to IFRS 9. A significant modification that leads to derecognition, will lead to the loan receiving a new initial recognition and thus a new original rating grade. Due to the continued coronavirus pandemic in 2021, a large number of modifications have been observed due to amortisation exempted loans. Amortisation exemptions will be classified as modifications in the event they result in changes of the loans' terms and conditions. However, no modifications due to amortisation exemptions have led to any modification gains or losses during the year as they do not affect the net present value of the loan.

Input data for calculating ECL
The majority of the input data used in the calculation of ECL with regard to PD and LGD comes from the bank's central base system that contains information about borrowers, their loans and underlying collateral. Since the lending operations focus on housing finance with a very similar product offering, all loans are processed by SCBC in the same systems. In addition to the information in the base system, external data such as financial statements and payment histories is collected from credit rating agencies. Data from Statistics Sweden and the Riksbank is used to construct the macroeconomic factors to be applied in the forward-looking information.

Model changes for calculating ECL
During 2021, no changes in either methodology or estimates in the risk parameters have been made in the model for ECL. The validation of the model carried out at the end of 2021 and beginning of 2022 showed satisfactory results, although some areas for improvement were identified regarding the components that measure a significant increase in credit risk and PD over lifetime. Efforts have been ongoing since the end of 2021 with the adaptation of the ECL model to the new PD and LGD models under the IRB framework, for which, in September 2021, SBAB applied to the Swedish FSA for permission to use. The only changes in calculating ECL that have taken place in 2021 concern the forward-looking information that has been revised on two occasions, during the first and second quarter respectively, following the updated macroeconomic scenarios. The forward-looking information is reviewed regularly, at least every quarter, and updated as necessary. For more information on the revision of the forward-looking information and the impact on the ECL, please refer to Note RC 1.

Other

Functional currency
The functional currency is the currency used in the primary economic environments in which SCBC operates. SCBC's functional currency and presentation currency is SEK.

Foreign currency translation of receivables and liabilities
Foreign currency transactions are recognised by applying the exchange rate on the transaction date, and foreign currency receivables and liabilities are translated using the closing-date rate. Foreign exchange gains or losses resulting from settlements of foreign currency transactions and from the translation of monetary assets and liabilities in foreign currency are recognised in profit or loss under "Net result of financial transactions."

Tax
Total tax consists of current tax and deferred tax. Current tax comprises tax that is to be paid or received for taxable earnings during the current year and adjustments of current tax for previous years. Accordingly, for items recognised in profit or loss, the related tax effects are also recognised in profit or loss. The tax effects of items recognised in other comprehensive income or directly in equity are recognised in other comprehensive income or directly in equity.

Deferred tax assets and tax liabilities are measured according to the balance sheet method on the basis of temporary differences that arise between the carrying amount and the tax base of an asset or liability. Deferred tax assets are recognised for unutilised tax losses to the extent that it is probable that the carry-forwards can be used to offset future taxable profit. Deferred tax is calculated in accordance with the tax rate applicable at the time of taxation.

Cash and cash equivalents
Cash and cash equivalents are defined as lending to credit institutions.

Segment reporting
An operating segment is a part of a business for which independent financial information is available, that conducts business operations from which income can be generated and expenses incurred and whose operating profits are regularly assessed by the company's chief operating decision maker as a basis for decisions regarding the allocation of resources to segments and an assessment of the segment's profit or loss. SCBC's operations consist primarily of investments in loan receivables with a risk level permitting the issue of covered bonds. Consequently, only a single segment is reported, SCBC as a whole.

Measurement in relation to the assumption of receivables
SBAB is the initial lender for all residential mortgages provided by the SBAB Group. Loan receivables, which meet the regulatory requirements for inclusion in the cover pool that provides security for the covered bonds issued by SCBC, are transferred on a daily basis from the Parent Company SBAB to the subsidiary, SCBC. The transfers are conducted at fair value.

Dividend
Dividends to the Parent Company are recognised in the balance sheet when the dividend has been approved by the Annual General Meeting.

Group contributions
Group contributions paid or received are recognised as a decrease or increase in unrestricted equity after adjustments for estimated tax, in accordance with the principal rule in RFR 2 IAS 27, p2.

Critical accounting estimates and judgements

Critical assumptions
To prepare the annual accounts in compliance with statutory IFRS, it is required that Executive Management use estimates and judgements based on historical experience and assumptions that are considered to be reasonable and fair. No critical assumptions have been made over and above those that entail estimates. These estimates have a material impact on the carrying amounts of assets, liabilities and off-balance sheet exposures, as well as income and expenses presented in the Annual Report. Subsequently, the actual outcome may differ to some extent from the estimates made.

Measurement of loan receivables
The transition to IFRS 9 entails basing the valuation of all loan receivables on the ECL. The ECL must either relate to a 12-month period or the remaining maturity of the receivable if a significant increase in credit risk has occurred. When estimating credit losses, previously observable data is used together with assumptions pertaining to macroeconomic trends. As with all estimates of future outcomes, ECL assessment is uncertain, not least in terms of loan receivables that show a significant increase in credit risk, which may lead to asset adjustments. Moreover, an individual expert assessment for credit impaired loan receivables is carried out where the risk of loss is imminent, which in itself gives rise to considerable uncertainty. Transfers of loan receivables within the Group are conducted at fair value.

For more information, see also the "Credit losses and impairment of financial assets" section.

Financial instruments measured at fair value
The valuation is made based on observable market data, in part through the direct application of market prices, and in part through generally accepted measurement methods. Critical estimates and judgements in conjunction with fair value measurement are made in the choice of which valuation technique and market data to use. In both cases, judgements are made with regard to how the valuation techniques and market data used comprise a good estimate of the fair value.

G:2 Related party disclosures

SCBC is a wholly-owned subsidiary of SBAB Bank AB (publ) with the Corp. Reg. No. 556253-7513. Booli Search Technologies AB with the Corp. Reg. No. 556733-0567 comprises a fellow Group company as does Boappa AB with the Corp. Reg. No. 559081-8273.
Related-party transactions are conducted at market terms.

Group	SBAB		SCBC		BOOLI	
SEK million	2021	2020	2021	2020	2021	2020
Assets						
Lending to credit institutions	122,789	120,127	–	–	–	–
Derivatives	2,120	1,641	5,766	9,078	–	–
Accrued income and prepaid expenses	14	76	–	–	–	–
Other assets	2	6	–	–	–	–
Total	**124,925**	**121,850**	**5,766**	**9,078**	**–**	**–**
Liabilities and equity						
Liabilities to credit institutions	–	–	122,789	120,127	–	–
Derivatives	5,766	9,078	2,120	1,641	–	–
Accrued expenses and deferred income	–	–	2	6	–	–
Other liabilities	–	–	14	76	–	–
Group contribution paid	–	–	30	749	–	–
Dividends paid	–	–	–	–	–	–
Total	**5,766**	**9,078**	**124,955**	**122,599**	**–**	**–**

Group	SBAB		SCBC		BOOLI	
SEK million	2021	2020	2021	2020	2021	2020
Income and expenses						
Interest income	1,223	1,075	1,038	678	–	–
Interest expense	-1,038	-678	-1,223	-1,075	–	–
Group contributions received	–	719	–	–	30	30
Dividends received	–	–	–	–	–	–
Commission income	29	21	-29	–	–	–
Commission expense [1)]	–	–	–	-21	–	–
Other operating income	1,291	1,176	-	–	–	–
Other administrative expenses [2)]	–	–	–1,291	-1,176	–	–

1) SCBC compensates the Parent Company, SBAB, for allowing SCBC to utilise a liquidity facility at the Parent Company, refer to Note IC 4.
2) SCBC pays a fee for administrative services provided by the Parent Company, SBAB, refer to Note IC 4.

No internal transactions took place between SCBC and Boappa in 2021.

Loans to key personnel

	2021		2020	
SEK million	Lending	Interest income	Lending	Interest income
CEO	–	–	–	–
Board of Directors	0	0	0	0
Other key senior executives	6	0	7	0
Total	**6**	**0**	**7**	**0**

Deposits from key personnel

	2021		2020	
SEK million	Deposits	Interest expense	Deposits	Interest expense
CEO and other key senior executives	0	0	0	0
Board of Directors	0	0	0	0
Total	**0**	**0**	**0**	**0**

The Parent Company has lending to key personnel at SCBC via SCBC. Lending to key personnel at SCBC is not permitted on terms that are not available to other personnel. The ceiling for total capital debt on preferential terms is SEK 2,000,000 per household on the condition that the loan is within 85% of the property's LTV. On preferential loans of up to SEK 2,000,000, a 2 percentage point discount is given against SBAB's current list rate.

The preferential loan is a taxable benefit. The interest rate received after the discount must not be less than 0.25%.

The Parent Company has deposits from key personnel at SCBC. Deposits from key personnel are made on the same terms and conditions as other deposits at SBAB.

G:3 Proposed appropriation of profits

SCBC posted a net profit for the year after tax of SEK 1,682,595,393. Pursuant to approval by the AGM, Group contributions have been distributed of SEK 30,000,000 to fellow Group company Booli Search Technologies AB.

According to the balance sheet, SEK 19,477,414,009 is at the disposal of the Annual General Meeting.

Shareholder contribution	9,550,000,000
Fair value reserve	843,244,288
Retained earnings	7,401,574,328
Net profit for the year	1,682,595,393
Total earnings according to the balance sheet as per 31 December 2021	**19,477,414,009**
The Board proposes that the earnings be appropriated as follows:	
Carried forward to next year	19,477,414,009
Total	**19,477,414,009**

The consolidated situation, SCBC and SBAB, must always comply with the applicable regulations for capital adequacy and major exposures. This means that sufficiently large own funds and acceptable capital must always be accessible in each legal entity. The Group's dividends are distributed by the Parent Company, while the overwhelming majority of earnings are within SCBC, which holds the majority of the assets and accordingly, is where interest income arises.

The assessment of the Board of Directors is that the financial position of the company does not give rise to any other assessment than that the company can be expected to meet its obligations in both the short and the long term.

G:4 Events after the balance sheet date

Risk tax

On 14 December 2021, the Swedish parliament adopted a new risk tax for banks that will be introduced 1 January 2022. The risk tax is payable by credit institutions that, at the start of the fiscal year, have a debt threshold in excess of SEK 150 billion. For Swedish institutions, the debt threshold is calculated based on debt attributable to their operations in Sweden but also includes debt attributable to operations at branches abroad. For foreign credit institutions, the threshold is only calculated based on debt attributable to their operations at branches in Sweden. The tax will be levied at a rate of 0.05% of the credit institution's liabilities in 2022, and increase to 0.06% in 2023. SBAB is one of ten Swedish banks and credit institutions that is expected to be affected by the new tax.

Due to the situation in Ukraine

On 24 February 2022, Russia launched a major military attack on Ukraine, causing great suffering to the Ukrainian people and threatening international peace and security. The outside world has responded by imposing extensive sanctions on Russia. Although SCBC has no presence in the war- or sanction-affected areas, the company is indirectly affected by the unrest through its impact on the global economy. Widespread disruption and volatility in the international financial markets has arisen from the situation in Eastern Europe and, going forward, the situation is expected to continue to affect the global economy and global financial markets. In addition, greater uncertainty with regard to economic developments in combination with rising inflation makes it difficult to assess the path of central banks going forward, which could contribute further uncertainty and volatility.

RC Risk management and capital adequacy

pp. 27–43

RC:1 Credit risk in lending operations

Credit risk in lending operations is defined as the risk that the counterparty is unable to fulfil its payment obligations. SCBC does not conduct its own lending operations – instead, all loans are acquired from the Parent Company SBAB. Credit risk is measured, in part, based on the borrower's repayment capacity and, in part, through value changes in pledged collateral relative to the loan. The loans acquired from the Parent Company have only been approved for counterparties who are assessed to able to make repayments when interest rates comfortably exceed the rate that was current at the time of the credit decision. Moreover, the credit risk is restricted by credit limits adopted for various customers or customer groups. The credit risk is primarily managed using the internal ratings-based approach (IRB). IRB is used for capital adequacy as well as for the control and follow-up of the credit risk for new and existing customers in the lending portfolio. SCBC applies advanced IRB (AIRB) for retail loans and loans to tenant-owners' associations. Foundation IRB (FIRB) is applied for loans to corporates as well as to larger tenant-owners' associations with a turnover more than EUR 50 million. The standardised approach is used for measuring credit risk from a capital adequacy perspective for consumer loans, as in unsecured loans.

IRB has been used since 2007 for assessing credit risk in lending operations for loans where a mortgage deed or a tenant-owners' right is used as collateral. In 2015, SCBC received permission to use IRB for excess exposures that are not fully covered by mortgage deeds, property financing using other collateral than directly pledged mortgage deeds and building credits. The credit risk models in the IRB framework are validated annually and adjusted when needed. The model validations conducted in 2021 did not result in any changes to the models.

The credit risk models in the IRB framework deal with the following risk parameters:

- Probability of default by the borrower – PD (Probability of Default).
- Share of loss in the event of default – LGD (Loss Given Default).
- The expected exposure in the event of default – EAD (Exposure at Default).
- The expected credit loss – EL, where EL is the product of PD, LGD and EAD.

Given the entry into force of new regulatory requirements aimed at harmonising bank's PD and LGD estimates, SCBC submitted applications to Finansinspektionen (the Swedish FSA) for new PD and LGD models in the IRB framework in September 2021, both for retail and for corporate exposures.

Borrowers are ranked according to credit risk based on the risk parameters, PD and LGD, and expected and unexpected credit losses can be estimated. Unexpected credit losses are relevant for the capital adequacy purposes. In order to assess the repayment capacity, the borrower is assigned one of eight rating grades for retail and corporate exposures [1], of which the eighth grade comprises borrowers in default. Trends for exposures in worse rating grades are monitored thoroughly and managed actively, when necessary, by credit experts in the bank's insolvency team.

The expected credit loss, EL, under IRB differs from the expected credit loss ECL in the accounts that constitute the loss allowance and thus the credit loss provisions. The calculation of EL according to Pillar 1 under the Basel framework is regulated by the Capital Requirements Regulation (CRR) [2]. According to CRR, the measurement of credit risk should be based on historical default rates and credit losses over a longer period of time and must include economic downturn periods. For the calculation of ECL in accordance with IFRS 9, the measurement of credit risk must be based both on historical data but also on forward-looking information in order to predict the negative impact on future cash flows. For information pertaining to the impairment of financial assets, refer to Note G 1. Total EL for lending under IRB amounted to SEK 140 million (133) at the end of 2021. Total ECL in accordance with IFRS 9, reduced for guarantees, amounted to SEK 116 million (126). For capital adequacy purposes, IRB separates non-performing loans from other loans when calculating EL. A positive difference when EL exceeds ECL reduces the CET1 capital by the corresponding amount.

For loans granted by SBAB, adequate collateral must be provided. Adequate collateral primarily refers to mortgage deeds for real property or shares in tenant-owners' associations within a maximum of 75–85% of the market value The 85% level only applies if collateral can be obtained with a primary lien and the borrower is assigned a better rating grade. The better rating grades for retail customers consist of the levels R1–R4, while the better rating grades for corporates and tenant-owners' associations consist of the levels C0–C3, and manually adjusted from C3 to C4. In other cases for lending to corporates and tenant-owners' associations, a loan-to-value [3] (LTV) of 75% generally applies. SCBC does not repossess any collateral to protect loans. Lending to the public accounts for 99% (98) of SCBC's overall assets.

The table below presents lending in relation to the market value of underlying collateral. As the majority of SCBC's lending has an LTV below 70%, the portfolio is deemed to be well-covered and its credit quality as very high.

[1] Retail exposures refer to residential mortgages to private individuals with collateral consisting of loans for houses, holiday homes and tenant-owners' rights, as well as property loans to tenant-owners' associations with a turnover of less than EUR 50 million. Corporate exposures refer to property loans to corporates, i.e. legal entities, as well as property loans to tenant-owners' associations with a turnover of more than EUR 50 million.

[2] CRR refers to Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

[3] The loan-to-value ratio is defined as the size of a loan in relation to the market value of pledged collateral. The reported average is the weighted average. Where applicable, the calculation takes into consideration contributory factors such as guarantees and the collateral's lien priority. SCBC verifies property values on a regular basis. For residential properties and tenant-owners' rights, the property value is verified at least every third year.

Loan amounts broken down by LTV interval

	2021			2020		
SEK million	**Residential mortgages**	**Corporate Clients & Tenant-Owners' Associations**	**Total**	**Residential mortgages**	**Corporate Clients & Tenant-Owners' Associations**	**Total**
Lending to the public						
LTV <50%	127,376	53,663	181,039	94,923	45,067	139,990
LTV 50–69%	124,279	38,843	163,122	113,654	30,276	143,930
LTV >69%	78,547	19,478	98,025	97,885	16,355	114,240
Total	**330,202**	**111,984**	**442,186**	**306,462**	**91,698**	**398,160**

ECL and forward-looking information

	Scenario 1 (45%)			Scenario 2 (20%)			Scenario 3 (20%)			Scenario 4 (15%)		
Factors	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
GDP [1]	3.3%	3.2%	2.3%	3.5%	4.8%	3.5%	-6.2%	3.1%	3.8%	-2.1%	-1.9%	1.3%
Repo rate (proxy STIBOR)	0.1%	0.1%	0.4%	0.1%	0.2%	0.6%	0.3%	0.5%	0.4%	1.1%	1.2%	1.2%
Unemployment	8.8%	8.0%	7.5%	8.7%	7.4%	6.3%	11.2%	11.1%	9.8%	9.4%	10.0%	10.3%
House prices, Δ	+16.3%	-0.8%	-3.2%	+16.9%	-0.8%	-3.0%	-10.4%	-12.2%	-3.4%	-15.4%	-15.3%	-16.0%
Prices of tenant-owners' rights, Δ	+9.6%	+0.4%	-3.1%	+10.0%	+0.2%	-2.9%	-11.8%	-14.8%	-6.2%	-20.0%	-28.6%	-15.4%
Property prices, Δ	+2.4%	+4.8%	+4.2%	+2.8%	+4.5%	+4.4%	-6.4%	-11.1%	-4.8%	-11.3%	-23.6%	-17.2%
ECL	**SEK 45 million**			**SEK 46 million**			**SEK 111 million**			**SEK 442 million**		
Weighted ECL [1]	**SEK 119 million**											

[1] Not included in the ECL calculation.

ECL and forward-looking information

Based on updated macroeconomic forecasts, SCBC has revised the forward-looking information on two occasions during the year, in the first and the second quarter. The forward-looking information is applied in the impairment model to calculate ECL. The updated macroeconomic projections, completed in the first and second quarters, are based on a slightly more positive outlook in terms of the economic recovery from the coronavirus pandemic. Moreover, substantial price increases have been recorded for residential properties and tenant owners' rights on the Swedish housing market in 2021. Despite the above, the bank believes that some uncertainty continues to apply for Sweden's housing market and for economic development in general. During the second quarter, revisions were therefore made to the scenario weighting in the forward-looking information, which reflect the likelihood of experiencing credit losses of corresponding magnitude, to thereby temporarily limit the positive impact of updated macroeconomic forecasts. In the third and fourth quarters, no further revisions to the forward-looking information have been necessary in the fourth quarter, as the bank believes that the revised scenarios in the second quarter remain relevant. The first-quarter revision of the forward-looking information led to reduced credit loss provisions, while the second-quarter revision resulted in a small increase. On 31 December 2021, the credit loss provisions amounted to SEK 119 million, compared with SEK 131 million on 31 December 2020. While the decrease was primarily due to the revision of the forward-looking information in 2021, it was also due to the increased market values for residential properties and tenant owners' rights. The table above presents the forward-looking information consisting of a weighting of the four scenarios with forecasts of the macroeconomic factors used to calculate ECL. In 2021, SCBC has closely followed the credit risk exposure in the lending portfolio due to macroeconomic developments. The underlying credit risk models in the impairment model are largely based on customers' payment behaviour and market values of collateral and, since the start of the coronavirus pandemic in the beginning of 2020, have yet to show any increase in credit risk. The bank is comfortable with the size of the credit loss provsions, totalling SEK 119 million (131) on 31 December 2021.

Overall credit quality

Despite the prevailing conditions, the credit quality of SCBC's lending remains good and the credit risks entailed in retail lending are low. SBAB's granting of loans to retail costumers is based on a sound credit approval process that determines whether customers have the financial capacity required to meet their commitments. The Swedish FSA's annual mortgage market survey, with data from 2020, found that, overall, new residential mortgage customers continue to have healthy margins to cover repayment of their mortgages even in a worse economic climate. At the end of 2021, the average LTV ratio in the mortgage portfolio was 55% (58).

The credit quality of SCBC's lending to corporate customer which are property companies, property developers and tenant-owners' associations is also assessed as good. The average LTV for property companies and tenant-owners' associations at the end of 2021 were 63% (64) and 35% (37), respectively. In this business area, the granting of loans is based on an assessment of customers' ability to generate stable cash flows over time and on whether adequate collateral can be provided. Due to the coronavirus pandemic, the bank is working proactively to identify customers who are particularly exposed to the increased credit risk in the economy. Since customers' underlying cash flows primarily derive from housing, they are expected to be less affected or affected at a later stage if the pandemic persists. As yet no impact has been noted. The bank's assessment is that credit risks may be higher for property developers and property companies that are more dependent on capital markets with refinancing need in the near future. The same applies for tenant-owners' associations with significant revenue from commercial premises. Only a limited portion of SCBC's lending exposures is subject to this possibly raised credit risk. No individual provision or further manual adjustments of rating grades for corporate customers have proved necessary during the year.

Temporary amortisation exemptions

Due to the coronavirus pandemic, SCBC offered its residential mortgage customers a temporary amortisation exemption until 31 August 2021 in accordance with the guidelines of the Swedish FSA (FI Ref. 20-8061). The bank made the assessment that the previously granted amortisation exemptions did not affect the bank's credit risk and, in consequence, there has been no need for further credit loss provisions. Amortisation exemption has instead mitigated the increased credit risk that had temporarily arisen for the customers. Those customers who declared that the application for amortisation exemption was a result of loss of income due to the coronavirus pandemic are being managed by the bank's insolvency team to determine whether any increase in credit risk applies and, accordingly, a possible migration to credit stage 2 for relevant loans, or alternatively whether the amortisation exemptions should be classified as a forbearance measure and identification of default and thus a migration to credit stage 3. The above is all in accordance with IFRS 9 and CRR. Due to the coronavirus pandemic, since 2020, a large number of modifications pursuant to the IFRS 9 have been observed due to amortisation exempted loans. The granting of amortisation exemptions will be classified as modifications in the event they result in changes of the loans' terms and conditions when the fixed-interest period is longer than three months. However, no amortisation exemptions have led to material modifications and nor have they led to any write-offs.

Lending to the public broken down by rating grade
As per 31 December 2021, SCBC's lending to the public amounted to SEK 442 billion (398). Every borrower is assigned a rating grade. Borrowers in default are allocated to the rating grade C8 applicable to corporates and tenant-owners' associations or the rating grade R8 for private individuals. The rating grade C0 consists of loans to Swedish municipalities which receive a risk weight of 0%. Transaction costs of SEK 16 million (15), which were attributable to loans brokered by business partners, are distributed in the table on a pro rata basis.

Lending to the public	2021							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R0/C0	–	–	–	–	–	–	–	–
R1/C1	221,559	-3	0	0	0	0	221,559	-3
R2/C2	123,234	-5	145	0	0	0	123,379	-5
R3/C3	51,588	-9	1,774	-1	0	0	53,362	-10
R4/C4	21,874	-13	7,312	-7	0	0	29,186	-20
R5/C5	4,040	-9	7,846	-19	1	0	11,887	-28
R6/C6	166	-1	1,558	-10	0	0	1,724	-11
R7/C7	10	0	865	-18	19	-1	894	-19
R8/C8	0	0	0	0	195	-23	195	-23
Total	**422,471**	**-40**	**19,500**	**-55**	**215**	**-24**	**442,186**	**-119**
Guarantees 1)	–	1	–	2	0	0	–	3
Total lending after provisions and guarantees	**422,471**	**-39**	**19,500**	**-53**	**215**	**-24**	**442,186**	**-116**

Lending to the public	2020							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R0/C0	–	–	–	–	–	–	–	–
R1/C1	198,347	-3	0	0	0	0	198,347	-3
R2/C2	108,791	-4	467	0	0	0	109,258	-4
R3/C3	48,213	-8	1,197	-1	0	0	49,410	-9
R4/C4	20,561	-15	6,253	-6	0	0	26,814	-21
R5/C5	3,890	-10	7,275	-19	0	0	11,165	-29
R6/C6	214	-2	1,632	-12	0	0	1,846	-14
R7/C7	15	0	1,087	-26	19	0	1,121	-26
R8/C8	0	0	0	0	199	-25	199	-25
Total	**380,031**	**-42**	**17,911**	**-64**	**218**	**-25**	**398,160**	**-131**
Guarantees 1)	–	2	–	3	–	0	–	5
Total lending after provisions and guarantees	**380,031**	**-40**	**17,911**	**-61**	**218**	**-25**	**398,160**	**-126**

RESIDENTIAL MORTGAGES	2021							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R1	140,549	-2	0	0	0	0	140,549	-2
R2	98,634	-3	141	0	0	0	98,775	-3
R3	45,829	-8	1,348	-1	0	0	47,177	-9
R4	21,823	-12	7,290	-7	0	0	29,113	-19
R5	4,032	-9	7,758	-19	1	0	11,791	-28
R6	166	-1	1,558	-10	0	0	1,724	-11
R7	10	0	865	-18	19	-1	894	-19
R8	0	0	0	0	178	-16	178	-16
Total	**311,043**	**-35**	**18,960**	**-55**	**198**	**-17**	**330,201**	**-107**
Guarantees [1)]	–	–	–	2	–	0	–	2
Total lending after provisions and guarantees	**311,043**	**-35**	**18,960**	**-53**	**198**	**-17**	**330,201**	**-105**

RESIDENTIAL MORTGAGES	2020							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
R1	129,259	-2	0	0	0	0	129,259	-2
R2	91,745	-3	80	0	0	0	91,825	-3
R3	43,776	-7	850	0	0	0	44,626	-7
R4	20,503	-15	6,109	-7	0	0	26,612	-22
R5	3,848	-9	7,144	-19	0	0	10,992	-28
R6	214	-2	1,632	-12	0	0	1,846	-14
R7	15	0	1,087	-26	19	-1	1,121	-27
R8	0	0	0	0	182	-16	182	-16
Total	**289,360**	**-38**	**16,902**	**-64**	**201**	**-17**	**306,463**	**-119**
Guarantees [1)]	–	1	–	3	–	0	–	4
Total lending after provisions and guarantees	**289,360**	**-37**	**16,902**	**-61**	**201**	**-17**	**306,463**	**-115**

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS	2021							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
C0	–	–	–	–	–	–	–	–
C1	81,011	-1	0	0	0	0	81,011	-1
C2	24,600	-2	4	0	0	0	24,604	-2
C3	5,759	-2	426	0	0	0	6,185	-2
C4	50	0	23	0	0	0	73	0
C5	8	0	87	0	0	0	95	0
C6	0	0	0	0	0	0	0	0
C7	0	0	0	0	0	0	0	0
C8	0	0	0	0	17	-7	17	-7
Total	**111,428**	**-5**	**540**	**0**	**17**	**-7**	**111,985**	**-12**
Guarantees [1]	–	1	–	0	–	0	–	1
Total lending after provisions and guarantees	**111,428**	**-4**	**540**	**0**	**17**	**-7**	**111,985**	**-11**

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS	2020							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
C0	–	–	–	–	–	–	–	–
C1	69,088	-1	0	0	0	0	69,088	-1
C2	17,046	-1	386	0	0	0	17,432	-1
C3	4,437	-1	347	0	0	0	4,784	-1
C4	58	0	145	0	0	0	203	0
C5	42	-1	130	0	0	0	172	-1
C6	0	0	0	0	0	0	0	0
C7	0	0	0	0	0	0	0	0
C8	0	0	0	0	18	-8	18	-8
Total	**90,671**	**-4**	**1,008**	**0**	**18**	**-8**	**91,697**	**-12**
Guarantees [1]	–	1	–	0	–	0	–	0
Total lending after provisions and guarantees	**90,671**	**-3**	**1,008**	**0**	**18**	**-8**	**91,697**	**-11**

[1] Guarantees are included in the balance-sheet item "Prepaid expenses and accrued income."

Loans with unpaid amounts (more than five days past due)[1]
The table describes loans with a past-due amount. All amounts are distributed by segment. Loans with past-due amounts in several time intervals are shown in full in the oldest time interval. At year-end 2021, 99.9% (99.9) of lending had no past-due unpaid amounts and was not assessed as doubtful.

	2021			2020		
SEK million	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Total	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Total
Past due 5–30 days [1]	4	–	4	2	15	17
Past-due 31–60 days	56	–	56	65	–	65
Past-due 61–90 days	27	–	27	16	–	16
Past-due 91–180 days	24	–	24	27	–	27
Past due >180 days	43	–	43	45	–	45
Total	**154**	**–**	**154**	**155**	**15**	**170**

[1] For the first time interval, amounts past-due by five days or less are not taken into consideration to ensure that the analysis is not distorted by payments delayed because the payment date is a holiday.

Lending to the public

The following tables present changes in gross lending and credit loss allowances during the period for the respective segment. For more information, please refer to Note A 2.

A brief description of the reported items:

- Moved to credit stage – Movements between credit stages show opening balances for the period for migrated loans.
- Remeasurement of provision – Net changes of provisions for each credit stage. This includes changes due to movements between credit stages.
- Repayment and redemption – Loans that have been derecognised from the balance sheet during the period and which have not been written-off due to confirmed credit losses.
- Write-offs due to confirmed credit losses – Confirmed credit losses during the reporting period.
- Other – Residual items.

TOTAL	2021							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	**380,031**	**-42**	**17,911**	**-64**	**218**	**-25**	**398,160**	**-131**
Migrated to credit stage 1	10,683	-27	-10,659	26	-24	1	0	0
Migrated to credit stage 2	-8,598	2	8,626	-3	-28	1	0	0
Migrated to credit stage 3	-48	0	-82	2	130	-2	0	0
Remeasurement of provision	1,699	37	-19	-14	-2	-6	1,678	17
Transferred to/from Group companies, net [1]	79,691	-20	7,617	-17	2	0	87,310	-37
Repayment of borrowings	-716	0	-178	0	-1	0	-895	0
Redemption	-40,271	8	-3,716	12	-77	5	-44,064	25
Write-offs due to confirmed credit losses	0	0	–	–	-3	1	-3	1
Change in risk parameters during the period [2]	–	2	–	3	–	1	0	6
Other	0	0	0	0	0	0	0	0
Closing balance	**422,471**	**-40**	**19,500**	**-55**	**215**	**-24**	**442,186**	**-119**

TOTAL	2020							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	**339,258**	**-27**	**19,539**	**-64**	**252**	**-22**	**359,049**	**-113**
Migrated to credit stage 1	12,205	-27	-12,195	27	-10	0	0	0
Migrated to credit stage 2	-8,285	2	8,366	-5	-81	3	0	0
Migrated to credit stage 3	-63	0	-71	1	134	-1	0	0
Remeasurement of provision	3,120	45	202	-9	-3	-7	3,319	29
Transferred to/from Group companies, net [1]	71,577	-18	5,581	-15	0	0	77,158	-33
Repayment of borrowings	-713	0	-42	0	-1	0	-756	0
Redemption	-37,067	5	-3,469	10	-71	3	-40,607	18
Write-offs due to confirmed credit losses	0	0	0	0	-2	0	-2	0
Change in risk parameters during the period [2]	–	-22	–	-9	–	-1	–	-32
Other	-1	0	0	0	–	0	-1	0
Closing balance	**380,031**	**-42**	**17,911**	**-64**	**218**	**-25**	**398,160**	**-131**

[1] Net amount is the loan's total amount less any internal transfers from other loans.

[2] The change in risk parameters during the period also includes changes in forward-looking information.

RESIDENTIAL MORTGAGES	2021							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	**289,360**	**-38**	**16,902**	**-64**	**201**	**-17**	**306,463**	**-119**
Migrated to credit stage 1	9,816	-27	-9,792	26	-24	1	0	0
Migrated to credit stage 2	-8,392	2	8,420	-3	-28	1	0	0
Migrated to credit stage 3	-48	0	-82	2	130	-2	0	0
Remeasurement of provision	-3,690	33	-130	-12	-2	-6	-3,822	15
Transferred to/from Group companies, net [1]	57,969	-17	7,099	-16	2	0	65,070	-33
Repayment of borrowings	-365	0	-29	0	-1	0	-395	0
Redemption	-33,607	8	-3,428	11	-77	5	-37,112	24
Write-offs due to confirmed credit losses	0	0	0	0	-3	1	-3	1
Change in risk parameters during the period [2]	–	2	–	2	–	1	0	5
Other	0	–	–	–	–	–	0	0
Closing balance	**311,043**	**-37**	**18,960**	**-54**	**198**	**-16**	**330,201**	**-107**

RESIDENTIAL MORTGAGES	2020							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	**268,760**	**-24**	**18,727**	**-64**	**232**	**-14**	**287,719**	**-102**
Migrated to credit stage 1	11,407	-27	-11,397	26	-10	1	0	0
Migrated to credit stage 2	-7,989	2	8,070	-5	-81	3	0	0
Migrated to credit stage 3	-62	0	-71	1	133	-1	0	0
Remeasurement of provision	-3,177	40	-150	-8	-1	-7	-3,328	25
Transferred to/from Group companies, net [1]	49,529	-17	5,020	-14	1	0	54,550	-31
Repayment of borrowings	-350	0	-33	0	-1	0	-384	0
Redemption	-28,757	5	-3,264	10	-70	3	-32,091	18
Write-offs due to confirmed credit losses	0	0	0	0	-2	0	-2	0
Change in risk parameters during the period [2]	–	-17	–	-10	–	-2	–	-29
Other	-1	0	–	0	0	0	-1	0
Closing balance	**289,360**	**-38**	**16,902**	**-64**	**201**	**-17**	**306,463**	**-119**

[1] Net amount is the loan's total amount less any internal transfers from other loans.
[2] The change in risk parameters during the period also includes changes in forward-looking information.

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS	2021							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	**90,671**	**-4**	**1,008**	**0**	**18**	**-8**	**91,697**	**-12**
Migrated to credit stage 1	867	0	-867	0	0	0	0	0
Migrated to credit stage 2	-205	0	205	0	0	0	0	0
Migrated to credit stage 3	0	0	0	0	0	0	0	0
Remeasurement of provision	5,387	2	113	-2	-1	0	5,499	0
Transferred to/from Group companies, net [1]	21,723	-1	518	-1	0	0	22,241	-2
Repayment of borrowings	-351	0	-149	0	0	0	-500	0
Redemption	-6,664	0	-288	1	0	0	-6,952	1
Write-offs due to confirmed credit losses	0	0	0	0	0	0	0	0
Change in risk parameters during the period [2]	–	0	–	1	–	0	–	1
Other	0	0	0	0	0	0	0	0
Closing balance	**111,428**	**-3**	**540**	**-1**	**17**	**-8**	**111,985**	**-12**

CORPORATE CLIENTS & TENANT-OWNERS' ASSOCIATIONS	2020							
	Credit stage 1		Credit stage 2		Credit stage 3		Total	
SEK million	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision	Gross lending	Provision
Opening balance	**70,499**	**-3**	**812**	**0**	**18**	**-8**	**71,329**	**-11**
Migrated to credit stage 1	798	0	-798	0	0	0	0	0
Migrated to credit stage 2	-296	0	296	0	0	0	0	0
Migrated to credit stage 3	0	0	0	0	0	0	0	0
Remeasurement of provision	6,297	6	353	0	-1	0	6,649	6
Transferred to/from Group companies, net [1]	22,045	-2	559	0	1	0	22,605	-2
Repayment of borrowings	-362	0	-9	0	0	0	-371	0
Redemption	-8,310	1	-205	0	0	0	-8,515	1
Write-offs due to confirmed credit losses	0	0	0	0	0	0	0	0
Change in risk parameters during the period [2]	–	-6	–	0	–	0	–	-6
Other	0	0	0	0	0	0	0	0
Closing balance	**90,671**	**-4**	**1,008**	**0**	**18**	**-8**	**91,697**	**-12**

[1] Net amount is the loan's total amount less any internal transfers from other loans.

[2] The change in risk parameters during the period also includes changes in forward-looking information.

Modified loans, loans with renegotiated terms and conditions

In exceptional cases, loans may be renegotiated outside of the loans' terms and conditions due to a deterioration of the borrower's financial position or because the borrower has encountered other financial problems. Such loans are specifically monitored and are referred to as modified financial assets in accordance with IFRS 9. Since the outbreak of the coronavirus pandemic in 2020 until 31 August 2021, many loans were modified due to the granting of amortisation exemptions. However, no modified loans have led to a derecognition and consequently no initial recognitions of new loans.

Modified loans, modified loans in credit stages 2 and 3 (that have not led to derecognition)

	2021			2020		
SEK million	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Total	Residential mortgages	Corporate Clients & Tenant-Owners' Associations	Total
Amortised cost prior to modification	215	0	**215**	828	0	**828**
Modification gain/loss, net	0	0	**0**	0	0	**0**
Amortised cost after modification	215	0	**215**	828	0	**828**
Of which, carrying amount prior to provision for assets migrated from credit stage 2 or 3 to credit stage 1.	*34*	*0*	*34*	*114*	*0*	*114*

RC:2 Credit risk in treasury operations

Credit risk in treasury operations arises when the counterparty is unable to fulfil its payment obligations. In treasury operations, credit risk arises in the form of counterparty risk for the derivative and repo contracts entered into by SCBC to manage its financial risks.

Limit utilisation per rating category

	2021		2020	
SEK million	Limit	Utilised limit	Limit	Utilised limit
AAA	–	–	–	–
AA- to AA+	8,400	43	8,400	–
A- to A+	16,850	292	16,570	232
Lower than A-	2,300	–	2,400	–
Total	**27,550**	**335**	**27,550**	**232**

The "Limit utilisation per rating category" table shows the limits and the utilised limits, respectively, for SCBC's derivative counterparties. The limits for each derivative counterparty are proposed by SBAB's Treasury and adopted by the Board's Credit Committee within the confines of the framework adopted by the Board of Directors. The values in the table comprise an aggregate of individual derivative counterparty's total exposure and the limits for the respective rating category. The exposure in the summary includes external derivative and repo contracts entered into by SCBC and which are outstanding as of 31 December 2021. At Group level, limits for each counterparty are set for all investments, and derivative and repo contracts. The table shows the limits for the SBAB Group.

As per the credit instruction, the limits are set by SBAB's Credit Committee within the confines of the framework adopted by the Parent Company's Board of Directors. The utilised limit is calculated as the exposure from financial derivatives, repos and investments. For derivatives and repos, the effect of collateral pledged or received under CSAs or GMRAs is included in the total limit. Moreover, for derivatives, an add-on amount is also calculated for future risk-related changes. The limit is coordinated with the credit limit for counterparties who also are loan customers. Limits may be established for a period of not longer than one year, after which a new assessment must be conducted. The decisions of the Credit Committee are reported to the Board at the following Board meeting.

Counterparty risk

Counterparty risk at SCBC comprises exposures to well-reputed, major banks as well as the Parent Company SBAB as counterparties, which is hedged entirely through unilateral collateral agreements in which the counterparty pledges collateral by transferring funds or securities with the aim of reducing net exposure — known as a Credit Support Annex (CSA). Wherever applicable, the collateral received takes the form of cash with a transfer of title, which entitles the party that receives the collateral to use the collateral in its operations.

To limit the potential counterparty credit risk associated with derivative transactions involving non-standardised derivatives that are not cleared by clearing organisations approved by the competent authority (in accordance with Regulation (EU) No 648/2012), a framework agreement is to be entered into with the counterparty. Where appropriate, the framework agreement, an ISDA Master Agreement or equivalent agreement, has been supplemented with an associated collateral agreement, CSA. A CSA must always be established for counterparties entering into derivative contracts with SCBC. The framework agreements entitle the parties to offset receivables against debt in the event of a payment default.

Counterparty risk is reconciled on a daily basis for all counterparties. When entered into, CSAs are reconciled on a daily basis or on a weekly basis. Derivative contracts entered into with external counterparties are mostly entered into with the Parent Company as the counterparty. The effects of posted and received collateral are shown in greater detail in Note FI 3.

Credit-risk limits are established by SBAB's Credit Committee for all counterparties in treasury operations. In the table "Maximum credit-risk exposure in treasury operations," the maximum credit-risk exposure is shown with and without taking collateral received or other credit enhancements into account.

On 28 June 2021, parts of CRR2 entered force, which means that since that date, SCBC has calculated counterparty risk using the Standardised Approach to Counterparty Credit Risk (SA-CCR). This results in a difference between the year-end values and those for the previous year.

Maximum credit-risk exposure in treasury operations

	Without taking into account collateral received or other credit enhancements		Taking into account collateral received or other credit enhancements	
SEK million	**2021**	**2020**	**2021**	**2020**
Lending to credit institutions	1	1	1	1
Chargeable treasury bills, etc.	–	–	–	–
Bonds and other interest-bearing securities	–	–	–	–
Derivatives	5,902	9,289	5,902	9,289
Total	**5,903**	**9,290**	**5,903**	**9,290**

Collateral posted and received under collateral agreements, 31 December 2021

SEK million, Company	**Collateral pledged**	**Collateral received**
SCBC	0	0

Lending to credit institutions

	2021		2020	
	Financial assets measured at amortised cost		Financial assets measured at amortised cost	
	Credit stage 1		Credit stage 1	
SEK million	**Securities, gross**	**Provision**	**Securities, gross**	**Provision**
Opening balance	**1**	–	**0**	–
Change in cash balances	0	–	0	–
Purchases	7,689	–	1,682	–
Sales	–	–	–	–
Maturity	-7,689	–	-1,682	–
Write-offs, redemption, etc.	–	–	–	–
Change in risk parameters during the period	–	–	–	–
Change in model/method	–	–	–	–
Currency revaluation	–	–	–	–
Other	–	–	–	–
Closing balance	**1**	–	**1**	–

RC:3 Liquidity risk

Liquidity risk is defined as the risk that the company will not be able to meet its payment obligations on the date of maturity without the related cost increasing significantly. Liquidity risk management for SCBC is performed as an integral part of the Group's overarching management. Moreover, access to funding from covered bonds is secured by monitoring that the over-collateralisation (OC level) in the cover pool at each point in time, including in stressed circumstances, exceeds Moody's requirements for Aaa ratings. On 31 December 2021, the OC level was 30.1%. SCBC has an agreement regarding a liquidity facility with the Parent Company, SBAB. The aim of the agreement is to allow SCBC to borrow funds from the Parent Company in the event that SCBC is unable to pay bond holders when SCBC's bonds mature. For more information; please refer to Note RC 3 in the SBAB Group's Annual Report.

Maturities of financial assets and liabilities (amounts refer to contractual, undiscounted cash flows)

	2021							2020						
SEK million	**No maturity**	**<3 months**	**3–6 months**	**6–12 months**	**1–5 years**	**>5 years**	**Total**	**No maturity**	**<3 months**	**3–6 months**	**6–12 months**	**1–5 years**	**>5 years**	**Total**
ASSETS														
Lending to credit institutions	–	–	–	–	–	–	–	–	1	–	–	–	–	1
Lending to the public	–	2,065	44,610	2,242	4,042	388,911	441,871	–	2,546	2,039	4,778	32,707	355,844	397,915
Derivatives	–	461	1,157	57	2,034	1,043	4,752	–	1,009	620	1,077	3,991	1,729	8,426
Other assets	167	–	–	–	–	–	167	361	–	–	–	–	–	361
Total financial assets	**167**	**2,526**	**45,767**	**2,299**	**6,076**	**389,954**	**446,790**	**361**	**3,556**	**2,659**	**5,855**	**36,698**	**357,573**	**406,703**
LIABILITIES														
Liabilities to credit institutions	–	3,835	8,006	3,436	–	–	15,277	–	3,525	4,663	2,323	–	–	10,511
Issued debt securities, etc.	–	3,698	28,281	254	206,930	72,630	311,793	–	22,590	1,880	12,204	161,440	73,341	271,455
Derivatives	–	43	–	185	1,942	1,447	3,617	–	108	80	209	1,374	1,334	3,105
Other liabilities	1,657	–	–	–	–	–	1,657	2,312	–	–	–	–	–	2,312
Subordinated debt	96,951	10	12	28	6,076	–	103,077	103,776	10	12	22	6,100	–	109,920
Total financial liabilities	**98,608**	**7,586**	**36,299**	**3,903**	**214,948**	**74,077**	**435,421**	**106,088**	**26,233**	**6,635**	**14,758**	**168,914**	**74,675**	**397,303**

The fixed-interest periods for the capital repayments for amortised receivables and liabilities has been calculated as the period up to the date of maturity of the respective amortisation. Foreign currency cash flows have been converted using the closing rate on 31 December 2021. Future interest-rate cash flows with floating interest rates are estimated using forward interest rates based on the actual interest base, usually the three-month STIBOR.

Maturities of hedged cash flows in cash-flow hedges

SEK million	No maturity	<3 months	3–6 months	6–12 months	1–5 years	>5 years	Total
Interest-rate-hedged	–	150	170	51	1,090	803	2,264
Currency-hedged	–	-2,448	-5,140	–	-33,149	-30,663	-71,400
Net, 31 Dec 2021	**–**	**-2,298**	**-4,970**	**51**	**-32,059**	**-29,860**	**-69,136**
Net, 31 Dec 2020	**–**	**-9,867**	**170**	**-9,914**	**-38,364**	**-18,928**	**-76,903**

RC:4 Market risk

Market risk is the risk of loss or reduced future income due to market fluctuations. SCBC is characterised by low risk taking that is managed within the framework of the SBAB Group's overall risk appetite and limits for Value at Risk (VaR), which are determined by the Board. In addition to the overall VaR limits, a number of supplementary risk-based metrics set by the CEO of SBAB are also subject to limitation. Through daily reports, Risk Control checks compliance with current risk levels and limits.

The management of SCBC's risks is outsourced to the Parent Company, SBAB, where they are followed up and managed at company and Group levels.

The basic objective for SBAB's management of SCBC's market risk is to minimise risk in the cover pool, with the overriding aim of meeting the requirements for matching rules as expressed in the Covered Bonds Issuance Act (2003:1223).

The general principle governing SCBC's exposure to market risk is that the level of risk taking should be low. As a general principle, interest-rate risk is to be mitigated through direct funding or the use of derivatives. SCBC's interest-rate structure as of 31 December 2021 is shown in the table "Fixed-interest periods for financial assets and liabilities." Currency risks are mitigated as funding in international currency is hedged through currency swap contracts. The total effect per currency is reported in the table "Nominal amounts for assets, liabilities and derivatives in foreign currency."

Value at Risk

VaR is a comprehensive portfolio measurement expressing the potential loss that could occur given a certain level of probability and holding period. The model is a historical model and applies percentiles in historical market data from the past two years. Since the model is based on historical data there is a degree of inherent inertia and the model could underestimate the risk in a rapidly changing market. Due to the above and that the model is based on several assumptions, the model is validated daily using back testing analysis, in other words a check of VaR against actual outcomes.

The limit for SCBC's market risk is based on a probability level of 99% and a holding period of one year. As per 31 December 2021, SCBC's market risk exposure was SEK 46 million, compared with the limit of SEK 400 million.

Interest-rate risk in other operations

Interest-rate risk in other operations is measured and reported to the Swedish FSA in accordance with FFFS 2007:4. As per 31 December 2021, the effect on the present value was SEK 41.0 million (304.5) for a 2 percentage-point parallel upward shift and negative SEK 40.2 million (negative: 314.8) for a 2 percentage-point parallel downward shift. As SCBC's own funds amounted to SEK 18.7 billion (16.4) on 31 December 2021, the effect of the stress tests amounted to 0.22% (1.86) and negative 0.22% (negative: 1.92) of own funds, respectively.

Interest-rate risk in the banking book

SCBC covers interest-rate risk in the banking book pursuant to the Swedish FSA's methodology as described in FI Ref. 19-4434. This showed that on 31 December 2021, the scenario with the greatest impact on the banking book was "Flattening," which is reported in the variable "ΔEVE" in the "Interest-rate risk in the banking book" table. In 2021, the Swedish FSA's method FI Ref. 19-4434 replaced the previous method described in FI Ref. 14-14414, which results in value differences compared with previous years.

The net interest income effect is measured to capture the impact of changes in interest rates on profit or loss. The metric reflects the differences in volume and fixed-interest periods between assets, liabilities and derivatives in other operations. The net interest income effect is calculated pursuant to the instructions stated in EBA/GL/2018/02 and is based on an instantaneous parallel shift of one percentage point up and down over a 12-month time horizon. The value is reported in the variable "ΔNII" in the "Interest-rate risk in the banking book" table.

Supplementary risk metrics

In addition to the overall VaR limits determined by the Board, the CEO has set a number of supplementary risk metrics for different kinds of risks to which the SBAB Group and SCBC are exposed. For interest-rate risk, there are limits for parallel shifts, where the effect on the present value of a one percentage point shift in the yield curve is measured, and curve risk where the effect on the present value is measured in different scenarios, in which the short end of the yield curve is adjusted down (up) and the long end is adjusted up (down). Currency risk is controlled by measuring the effect on present value when currency exchange rates change compared to SEK.

In addition to the above-mentioned supplementary risk metrics, a number of sensitivity analyses are performed using stressed interest rates, currency rates and credit spreads together with their effect on the company's Tier 1 capital requirement.

Interest Rate Benchmark Reform

The ongoing Interest Rate Benchmark Reform (IBOR transition) will replace existing benchmark interbank offered rates (IBORs) with alternative risk-free rates. SBAB has relatively limited exposure to reference rates other than STIBOR.

SBAB has focused on ensuring compliance pursuant to the Benchmarks Regulation (BMR), which affects SBAB both as a user of benchmarks and as a reporter of input data for benchmarks, where STIBOR is expected to be approved under the BMR in 2022, and in a broader perspective within the framework of internal governance and control.

Continuous market monitoring and adjustment is required and, therefore, other benchmarks, including risk-free rates (RFR), need to be used in the long term. Accordingly, focus has been on ensuring systemic support for the use of RFR-linked products, mainly in the form of derivatives and bonds, and on managing the transition of actual exposures to IBORs, such as EONIA and LIBOR, whose end-dates are known. Furthermore, SBAB has actively participated in the development of STIBOR and the process for its approval under the BMR together with the development of the Riksbank's new SWESTR.

Nominal amounts for assets, liabilities and derivatives in foreign currency

	2021		2020	
SEK million	Assets and liabilities	Derivatives	Assets and liabilities	Derivatives
EUR	-68,955	68,952	-77,349	77,346
GBP	-2,448	2,448	-2,232	2,232
NOK	0	0	-480	479
USD	0	0	0	0
Total	**-71,403**	**71,400**	**-80,061**	**80,057**

Interest-rate risk in the banking book

	2021		2020	
SEK million	ΔEVE	ΔNII	ΔEVE	ΔNII
Parallel up	101	1,229	220	1,319
Parallel down	-113	-1,229	-14	-1,319
Short rate up	-136		175	
Short rate down	138		-5	
Steepening	263		47	
Flattening	-223		-13	
Worst outcome	**-223**	**-1,229**	**-14**	**-1,319**
Own funds	**18,651**		**16,412**	

Fixed-interest periods for financial assets and liabilities, carrying amounts

	2021							2020						
SEK million	Without interest period	<3 months	3–6 months	6–12 months	1–5 years	>5 years	Total	Without interest period	<3 months	3–6 months	6–12 months	1–5 years	>5 years	Total
ASSETS														
Lending to credit institutions	–	1	–	–	–	–	1	–	1	–	–	–	–	1
Lending to the public	–	248,295	10,992	25,036	143,685	14,059	442,067	–	258,712	10,635	21,012	95,681	11,989	398,029
Change in fair value of interest-rate-hedged loan receivables	–	1	2	5	-355	-216	-563	–	2	3	5	133	–	143
Derivatives	–	649	113	–	1,953	3,187	5,902	–	1,906	1	98	1,680	5,604	9,289
Other assets	167	–	–	–	–	–	167	361	–	–	–	–	–	361
Total financial assets	**167**	**248,946**	**11,107**	**25,041**	**145,283**	**17,030**	**447,574**	**361**	**260,621**	**10,639**	**21,115**	**97,494**	**17,593**	**407,823**
LIABILITIES														
Liabilities to credit institutions	–	6,243	5,712	3,459	–	–	15,414	–	5,950	2,329	2,336	–	–	10,615
Issued debt securities, etc.	–	7,664	26,000	–	197,465	69,784	300,913	–	26,740	–	11,030	152,282	73,811	263,863
Derivatives	–	3,592	8	25	-400	-1,105	2,120	–	1,912	18	486	235	11	1,690
Other liabilities	1,657	–	–	–	–	–	1,657	2,312	–	–	–	–	–	2,312
Subordinated debt	–	107,718	–	–	–	–	107,718	–	109,515	–	–	–	–	109,515
Total financial liabilities	**1,657**	**125,217**	**31,720**	**3,484**	**197,065**	**68,679**	**427,822**	**2,312**	**144,117**	**2,347**	**12,880**	**152,517**	**73,822**	**387,995**
Difference assets and liabilities	**-1,490**	**123,729**	**-20,613**	**21,557**	**-51,782**	**-51,649**	**19,752**	**-1,951**	**116,504**	**8,292**	**8,235**	**-55,023**	**-56,229**	**19,828**

RC:5 Operational risk

Operational risk means the risk of losses due to inappropriate or unsuccessful processes, human error, faulty systems or external events, including legal risks.

Risk management

The process for managing operational risk is based on the continuous identification, analysis and assessment of risks as well as their management and follow-up. An analysis of risk levels is reported to the Board, the CEO and the Executive Management. The Risk department has overall responsibility for the methods and procedures used in the management of operational risk. The work with managing operational risk is conducted based on SCBC's risk appetite and the significant processes for the business. This entails constant efforts to develop employees' risk awareness and the bank's risk culture, to improve processes and procedures as well as to provide tools to efficiently and proactively manage day-to-day operational risk.

Self-evaluation

The self-evaluation process encompasses the identification and evaluation of operational risks in all significant processes. Self-evaluation is carried out using a shared method and documented in the shared system support. The result of the self-evaluation is reported annually to the Board, the CEO and the Executive Management.

Incident management

SCBC has procedures and system support intended to facilitate the reporting and follow-up of incidents. The Operational Risk function supports the operations with the analysis of reported incidents to ensure that root causes are identified and suitable measures are implemented. Even incidents that have not caused direct damage or financial loss are reported, to promote proactive risk management.

Management of material changes

SCBC's process for the management of material changes is applied for new or significantly altered products, services, markets, processes and IT systems as well as in the event of major operational and organisational changes at SCBC. The aim of the process is to evaluate any potential risks related to the change and to draw attention to any impact the change may have on capital position.

Continuity management

SCBC works in a pre-emptive manner to prevent events that may affect the company's ability to conduct operations. A contingency organisation has been established that is responsible for crisis and catastrophe management, and communication in case of serious incidents, crises or disasters. This organisation is tested regularly in collaboration with external crisis management experts.

Capital requirements for operational risks

SCBC uses the standardised approach to calculate capital requirements for operational risk within the Pillar 1 framework. The capital requirements for operational risk are presented in the Risk exposure amounts and capital requirements table (Note RC 8).

RC:6 Business risk

Business risk means the risk of declining earnings due to harsher competition, inappropriate strategies or erroneous decisions. Business risk includes strategic risk, reputational risk and margin risk, which arise when the interest margins on lending and funding have different maturities.

Business risk is included in the calculation of the capital requirement as part of SBAB's stress tests, where the effects of a stressed scenario corresponding to a normal economic downturn are evaluated.

RC:7 Concentration risk

Concentration risk arises when exposures are concentrated to certain counterparties, regions or types of businesses/industries. Through a direction decision as part of the business planning, SCBC's Board has established the concentration of risk based on the actual conditions for SCBC. The Board's risk appetite sets the framework for concentration risk, which is calculated based on the size of the exposures, industry and geographical concentration.

SCBC is primarily considered to be exposed to credit-risk related concentration risk in its lending operations. The risk department continuously monitors and analyses concentration in the lending portfolio based on, inter alia, geographical area, collateral, segment and product type. Moreover, large exposures to single counterparties are monitored on an ongoing basis.

SCBC also evaluates the ongoing capital requirement for concentration risk and quantifies the economic capital risk for credit-risk exposures, see Note RC 9.

RC:8 Capital adequacy analysis

Regulatory framework

Uniform prudential requirements for credit institutions were adopted by the EU on 7 June 2019 through amendments of the Capital Requirements Regulation, the Capital Requirements Directive and the Bank Recovery & Resolution Directive (the banking package). The purpose of the rules is in part to make institutions more resilient to new crises, and in part to raise confidence in the institutions' ability to manage new crises. The regulations include capital requirements, requirements on capital quality, a non-risk-based metric (leverage ratio) and quantitative liquidity requirements. The majority of the amendments to the CRR started to apply from 28 June 2021. Legislative amendments linked to the Capital Requirements Directive entered force on 29 December 2020. Binding leverage ratio requirements of 3% entered force on 28 June 2021.

During the first quarter of 2020, the Swedish FSA reduced the countercyclical capital buffer requirement from 2.5% to 0%, due to the coronavirus pandemic. On 29 September 2021, the Swedish FSA announced that the countercyclical buffer value would be raised to 1%, effective from 29 September 2022. The Danish government has decided to raise the countercyclical capital buffer requirement from 0% to 1%, effective from 30 September 2022. In June, the central bank of Norway also decided to raise the countercyclical capital buffer from 1% to 1.5%, effective from 30 June 2022.

From 31 December 2018, a risk-weight floor of 25% for residential mortgages to Swedish households within Pillar 1 is included, following a decision by the Swedish FSA. The decision applied for two years. Thereafter, the Swedish FSA resolved to apply the floor in Pillar 1 until 30 December 2021. In September 2021, the Swedish FSA advised the European Commission and the European Systemic Risk Board (ESRB) of its plans to continue to apply the risk-weight floor for Swedish mortgages for two further years, according to Article 458 of the Capital Requirements Regulation. The credit institutions encompassed by the measure are those authorised to use the IRB approach and which have exposures to Swedish residential mortgages.
Banks that are considered systemic will be subject to additional capital requirements. SCBC is not subject to these requirements. SCBC primarily recognises credit risk in accordance with the internal ratings-based (IRB) approach, and operational and market risk in accordance with the standardised approaches. SCBC's own funds consist solely of CET1 capital. Net profit/loss for the period is included in the calculation of own funds. The surplus has been verified by the company's auditors, in accordance with Article 26, item 2, of the CRR. The deduction that forms the basis of "Additional value adjustments" in the "Own funds" table emanate from the rules on a prudent valuation of assets.

Note RC 9 contains a summary of the method used to assess the internal capital requirement.

The Swedish National Debt Office has decided a minimum requirement for own funds and eligible liabilities (MREL) for SCBC for 2022 and on full implementation from 2024. The new MREL is expressed as risk-weighted and as non risk-weighted requirements. On full implementation, the MREL for SCBC amounts to 23.48% of REA and 6% of the leverage ratio exposure (LRE). The target levels for 2022 amount to an MREL of 18.48% from a risk-weighted perspective and to an LRE of 5.47% from a non risk-weighted perspective.

There are no on-going or unforeseen material obstacles or legal barriers to a rapid transfer of funds from own funds other than what is generally stipulated by the Companies Act.

Capital adequacy – KPIs

SEK million	31 Dec 2021	30 Sep 2021	30 Jun 2021
Available own funds (amount)			
CET1 capital	18,651	17,756	17,476
Tier 1 capital	18,651	17,756	17,476
Total capital	18,651	17,756	17,476
Risk exposure amount (REA)			
Total REA	114,600	112,345	110,676
Capital ratios (as a percentage of REA)			
CET1 capital ratio (%)	16.3	15.8	15.8
Tier 1 capital ratio (%)	16.3	15.8	15.8
Total capital ratio (%)	16.3	15.8	15.8
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of REA)			
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.5	2.5	1.1
of which: to be made up of CET1 capital (percentage points)	1.7	1.7	0.6
of which: to be made up of Tier 1 capital (percentage points)	1.9	1.9	0.8
Total SREP own funds requirements (%)	10.5	10.5	9.1

SEK million	31 Dec 2021	30 Sep 2021	30 Jun 2021
Combined buffer and overall capital requirements (as a percentage of REA)			
Capital conservation buffer (%)	2.5	2.5	2.5
Capital conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	–	–	–
Institution-specific countercyclical capital buffer (%)	0.0	0.0	0.0
Systemic risk buffer (%)	–	–	–
Global Systemically Important Institution buffer (%)	–	–	–
Other Systemically Important Institution buffer (%)	–	–	–
Combined buffer requirement (%)	2.5	2.5	2.5
Overall capital requirements (%)	13.0	13.0	11.6
CET1 capital available after meeting the total SREP own funds requirements (%)	5.8	5.3	5.3
Leverage ratio			
Total exposure measure	442,983	427,030	420,532
Leverage ratio (%)	4.2	4.2	4.2
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
Additional own funds requirements to address the risk of excessive leverage (%)	–	–	–
of which: to be made up of CET1 capital (percentage points)	–	–	–
Total SREP leverage ratio requirements (%)	3.0	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
Leverage ratio buffer requirement (%)	–	–	–
Overall leverage ratio requirement (%)	3.0	3.0	3.0
Liquidity coverage ratio			
Total high-quality liquid assets (HQLA) (weighted value – average)	0	0	0
Cash outflows – total weighted value	8,957	8,105	6,291
Cash inflows – total weighted value	41,851	39,751	35,922
Total net cash outflows (adjusted value)	2,239	2,026	1,573
Liquidity coverage ratio (%)	–	–	–
Net Stable Funding Ratio[1)]			
Total available stable funding	400,724	390,519	383,249
Total required stable funding	349,948	342,904	334,136
NSFR (%)	114.5	113.9	114.7

RISK EXPOSURE AMOUNTS AND CAPITAL REQUIREMENTS

	2021		2020	
SEK million	**Risk exposure amount**	**Capital requirement**	**Risk exposure amount**	**Capital requirement**
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	11,965	957	8,838	707
Retail exposures	11,828	946	11,240	899
of which, exposures to SMEs	*988*	*79*	*856*	*68*
of which, retail exposures secured by immovable property	*10,840*	*867*	*10,384*	*831*
Total exposures recognised with IRB approach	**23,793**	**1,903**	**20,078**	**1,606**
Credit risk recognised with the standardised approach				
Exposure to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to institutions [1)]	475	38	123	10
of which, derivatives according to CRR, Appendix 2	*311*	*25*	*114*	*9*
of which, repos	*164*	*13*	*9*	*1*
of which, other	*0*	*0*	*–*	*–*
Exposures to institutions and corporates with a short-term credit rating	0	0	0	0
Other items	25	2	169	14
Total exposures recognised with standardised approach	**500**	**40**	**292**	**24**
Market risk	**560**	**45**	**556**	**44**
Of which, currency risk	*560*	*45*	*556*	*44*
Operational risk	**4,617**	**369**	**4,441**	**355**
Credit valuation adjustment risk	**1,123**	**90**	**441**	**35**
Additional requirements under Article 458 of the CRR	**84,007**	**6,721**	**77,656**	**6,213**
Additional requirements under Article 3 of the CRR	**–**	**–**	**616**	**49**
Total risk exposure amount and minimum capital requirements	**114,600**	**9,168**	**104,080**	**8,326**
Capital requirements for capital conservation buffer		**2,865**		**2,602**
Capital requirements for countercyclical buffer		**0**		**0**
Total capital requirement		**12,033**		**10,928**

[1)] The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 475 million (123).

Own funds SEK million	2021	2020
CET1 capital: Instruments and reserves		
Capital instruments and the related share premium accounts	9,600	9,600
Retained earnings	7,401	6,013
Accumulated other comprehensive income (and other reserves)	843	2,217
Independently verified net profit for the year net of any foreseeable charge or dividend [1]	1,683	1,413
CET1 capital before regulatory adjustments	**19,527**	**19,243**
CET1 capital: Regulatory adjustments		
Additional value adjustments (negative amount)	–9	–11
Fair value reserves related to gains or losses on cash-flow hedges of financial instruments that are not valued at fair value	–843	–2,217
Negative amounts resulting from the calculation of expected loss amounts	–24	–12
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	0
Other regulatory adjustments [2]	–	–
Total regulatory adjustments to CET1 capital	**–876**	**–2,240**
CET1 capital	**18,651**	**17,003**
Additional Tier 1 capital		
Additional Tier 1 capital before regulatory adjustments	–	–
Additional Tier 1 capital: regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	–	–
Additional Tier 1 capital	–	–
Tier 1 capital (Tier 1 capital = CET1 + Additional Tier 1 capital)	**18,651**	**17,003**
Tier 2 capital		
Credit risk adjustments	–	5
Tier 2 capital before regulatory adjustments	**–**	**5**
Tier 2 capital: Regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	–	–
Tier 2 capital	**–**	**5**
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	**18,651**	**17,008**
Total risk-weighted exposure amount	**114,600**	**104,080**
Capital ratios and requirements including buffers, %		
CET1 capital	16.3	16.3
Tier 1 capital	16.3	16.3
Total capital	16.3	16.3
Institution – CET1 overall capital requirements	8.7[3]	7.0
of which, capital conservation buffer requirement	*2.5*	*2.5*
of which, countercyclical buffer requirement	*0.0*	*0.0*
of which, systemic risk buffer requirement	–	–
of which, G-SII buffer and O-SII buffer	–	–
of which, additional own funds requirements to address risks other than the risk of excessive leverage	1.7[3]	–
Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	5.8[3]	8.3
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
Current cap on T2 instruments subject to phase-out arrangements	–	–

[1] The results have been verified by Deloitte AB pursuant to Article 26, Point 2a of the Capital Requirements Regulation.
[2] There are no results that generate deduction of NPL backstop since entry into force.
[3] Amended requirements by Regulation (EU) 2021/637 with application from Q2 2021.

Average risk weight for credit risk recognised using the IRB approach

SEK million	2021 Exposure before credit risk hedge	2021 Exposure after CCF	2021 Risk exposure amount	2021 Capital requirement	2021 Average risk weight, %	2020 Exposure before credit risk hedge	2020 Exposure after CCF	2020 Risk exposure amount	2020 Capital requirement	2020 Average risk weight, %
Credit risk in lending portfolio recognised under the IRB approach										
Exposures to corporates	58,575	58,516	11,965	957	20.4	42,397	42,334	8,838	707	20.9
Retail exposures	383,715	383,340	11,828	946	3.1	355,983	355,586	11,240	899	3.2
of which, single-family dwellings and holiday homes	*168,446*	*168,445*	*4,657*	*373*	*2.8*	*154,451*	*154,448*	*4,441*	*355*	*2.9*
of which, tenant-owners' rights	*161,747*	*161,747*	*6,183*	*495*	*3.8*	*152,040*	*152,040*	*5,943*	*476*	*3.9*
of which, tenant-owners' associations	*53,522*	*53,148*	*988*	*79*	*1.9*	*49,492*	*49,098*	*856*	*68*	*1.7*
Total credit risk under the IRB approach	**442,290**	**441,856**	**23,793**	**1,903**	**5.4**	**398,380**	**397,920**	**20,078**	**1,606**	**5.0**

RC:9 Internally assessed capital requirement

From October 2019, the Swedish FSA imposes the requirement, within the framework of Pillar 2, that SCBC's management and assessment of risks must be satisfactory to ensure that SCBC can fulfil its obligations. To meet this requirement, SCBC must have methods that enables it to continuously evaluate and uphold capital in an amount, type and distribution sufficient to cover the risks to which it is or will become exposed. This is known as the company's internal capital adequacy assessment process (ICAAP), which is part of SCBC's internal capital and liquidity adequacy assessment process. At present, liquidity risk does not give rise to any actual capital requirement for SCBC. Refer to Note RC 3 for more information about liquidity risk.

The ICAAP aims to ensure that SCBC has adequate capital to deal with any financial problems that arise. The internally assessed capital requirement for SCBC amounted to SEK 12,774 million (SEK 11,462 million) on 31 December 2021. The internal capital requirement is assessed with the help of SCBC's internal models for economic capital and is not fully compatible with the capital requirements published by the Swedish FSA. Additional information on the internal capital requirement can be found in the document "Capital Adequacy and Risk Management 2021," which is published on www.sbab.se.

SEK million		31 Dec 2021 Internally assessed capital requirement: Incl. risk-weight floor, SEK million	31 Dec 2021 Internally assessed capital requirement: Incl. risk-weight floor, %	31 Dec 2020 Internally assessed capital requirement: Incl. risk-weight floor, SEK million	31 Dec 2020 Internally assessed capital requirement: Incl. risk-weight floor, %
Pillar 1	Credit risk & CVA risk	2,033	1.8	1,665	1.6
	Market risk	45	0.0	44	0.0
	Operational risk	369	0.3	355	0.4
	Risk-weight floor[1)]	6,721	5.9	6,213	6.0
	Surcharge, corporate exposures [2)]	–	–	49	0.0
	Total Pillar 1	**9,168**	**8.0**	**8,326**	**8.0**
Pillar 2	Credit risk	517	0.5	520	0.5
	Market risk	223	0.2	14	0.0
	Operational risk	–	–	–	–
	Pension risk	–	–	–	–
	Total Pillar 2	**741**	**0.6**	**534**	**0.5**
Buffers	Capital conservation buffer	2,865	2.5	2,602	2.5
	Countercyclical buffer	0	0.0	0	0.0
	Total Buffers	**2,865**	**2.5**	**2,602**	**2.5**
Total		**12,774**	**11.1**	**11,462**	**11.0**
Total own funds		**18,651**		**17,008**	

1) On 23 August 2018, the Swedish FSA decided to amend the method for applying the risk-weight floor for Swedish mortgages, which was previously applied in Pillar 2, by replacing it with the corresponding requirement within the framework of Article 458 of the Regulation on Prudential Requirements for Credit Institutions and Investment Firms (CRR). The change means the capital requirement is set as a requirement in Pillar 1. The amendment entered force from 31 December 2018 and applied for two years. Thereafter, the Swedish FSA resolved to apply the floor in Pillar 1 until 30 December 2021. In September 2021, the Swedish FSA advised the European Commission and the European Systemic Risk Board (ESRB) of its plans to continue to apply the risk-weight floor for Swedish mortgages for two further years, according to Article 458 of the Capital Requirements Regulation.

2) Surcharge after decision by the Board pursuant to Article 3 of the CRR. In October 2021 the board of SBAB decided to remove the Article 3 surcharge, as a result of the Swedish FSA communicated Pillar 2 requirements.

IC Income and expenses

pp. 44–45

IC:1 Net interest income

SEK million	2021	2020
Interest income		
Lending to credit institutions	0	0
Lending to the public	5,669	5,580
Derivatives	-152	-30
Total	**5,517**	**5,550**
of which, interest income from financial assets that is not measured at FVTPL	*5,669*	*5,580*
Interest expense		
Liabilities to credit institutions	0	0
Issued debt securities	-1,870	-1,949
Subordinated debt[1)]	-1,071	-1,045
Derivatives	1,085	720
Resolution fee	-139	-122
Total	**-1,995**	**-2,396**
of which, interest expense from financial liabilities that is not measured at FVTPL	*-3,080*	*-3,116*
Net interest income	**3,522**	**3,154**

[1)] The subordinated debt is issued by the Parent Company.

IC:2 Commission

SEK million	2021	2020
Commission income		
Commission on lending [1)]	24	20
Total	**24**	**20**
Commission expense		
Commission on securities	-39	-73
Other commissions [2)]	-20	-20
Total	**-59**	**-93**
Net commission	**-35**	**-73**

1) Commission on lending is primarily recognised when the service is provided, in other words at a specific date.
2) Other commissions are mainly recognised when these services are rendered, in other words, in a straight line over time.

IC:3 Net result of financial transactions

SEK million	2021	2020
Gains/losses on interest-bearing financial instruments		
Change in value of hedged items in hedge accounting	2,383	-799
Derivatives in hedge accounting	-2,401	801
Other derivatives	-16	-1
Realised gain/loss from financial liabilities at amortised cost	-64	-113
Loan receivables at amortised cost	28	39
Currency translation effects	0	0
Total	**-70**	**-73**

SCBC mainly uses derivatives to manage interest-rate and currency risk in the company's assets and liabilities. The derivatives are recognised at fair value in the balance sheet.

SCBC's policies for risk management and hedge accounting entail variations in results as a consequence of changed market interest rates, which can arise between periods for individual items in the above presentation. These are generally offset by variations in the results in other items. Variations in results that are not neutralised through risk management and hedge accounting are commented in the administration report.

IC:4 General administrative expenses

SEK million	2021	2020
Outsourcing expenses [1)]	-1,291	-1,176
Other administrative expenses [2)]	-3	-3
Total	**-1,294**	**-1,179**

[1)] SCBC employs a CEO and 39 employees (35) who handle the ongoing administration in consultation with the management of the Parent Company. No salary or other remuneration is paid by the company to the CEO or the employees, since the Parent Company is responsible for the ongoing administrative services in accordance with the outsourcing agreement signed between SBAB and SCBC.

[2)] Fees and remuneration to the Board have been paid by SBAB and the expense then invoiced for to SCBC. The Board of Directors consists of three Board members. For remuneration to Board members, refer to page 45.

Fees and expenses to the elected auditors

SEK million	2021	2020
Audit assignment	1.5	1.6
Audit tasks in addition to audit assignment	0.3	0.6
Total	**1.8**	**2.2**

The AGM on 28 April 2021 appointed Deloitte as SCBC's auditors. The audit assignment includes examination of the annual report, the accounting records and the administration by the Board and CEO. The audit assignment also includes other assistance resulting from such examination.

Audit tasks in addition to the audit assignment pertain to the examination of interim reports/year-end report and such other duties that may only be performed by the signing-off auditor, such as the preparation of various types of certificates.

Remuneration to the Board

SEK thousand	Period (2021)	Board of Directors (2021)	Audit and Compliance Committee (2021)
Jan Sinclair, Chairman of the Board [1]	1 January–31 December 2021	180	–
Jane Lundgren Ericsson, Board Member [2]	1 January–31 December 2021	130	–
Synnöve Trygg (member) [3]	28 April–31 December 2021	88	
Klas Danielsson, Board Member	1 January–7 November 2021	–	–
Mikael Inglander, CFO	8 November–31 December 2021	–	–
Total Fees & Remuneration 2021		**398**	–

SEK thousand	Period (2020)	Board of Directors (2020)	Audit and Compliance Committee (2020)
Jan Sinclair, Chairman of the Board [1]	1 January–31 December 2020	180	–
Jane Lundgren Ericsson, Board Member [2]	1 January–31 December 2020	130	–
Klas Danielsson, Board Member	1 January–31 December 2020	–	–
Total Fees & Remuneration 2020		**310**	**–**

[1] Jan Sinclair also receives Board fees and fees for work on committees from SBAB of SEK 495 thousand (475) and SEK 122 thousand (114) respectively.
[2] Jane Lundgren Ericsson also receives Board fees and fees for work on committees from SBAB of SEK 239 thousand (230) and SEK 149 thousand (140) respectively.
[3] Synnöve Trygg also receives Board fees and fees for work on committees from SBAB of SEK 239 thousand (230) and SEK 89 thousand (84) respectively.

No remuneration was paid to Board members employed by the Parent Company or to the CEO of SCBC.

IC:5 Net credit losses

SEK million	2021	2020
Lending to the public		
Confirmed credit losses	-3	-2
Recoveries of previously confirmed credit losses	0	0
Change in provision for the year – credit stage 1	1	-15
Change in provision for the year – credit stage 2	10	0
Change in provision for the year – credit stage 3	1	-3
Guarantees	-2	-1
Total	**7**	**-21**

TX Tax

pp. 46–46

TX:1 Tax

SEK million	2021	2020
Current tax	-441	-389
Deferred tax on changes in temporary differences	4	5
Total	**-437**	**-384**
The effective tax rate differs from the nominal tax rate in Sweden as below		
Profit before tax	2,119	1,797
Nominal tax rate in Sweden 20.6% (21.4)	-437	-385
Recalculation of deferred tax regarding changed tax rate	0	1
Tax for prior years and other	–	–
Total tax	**-437**	**-384**
Effective tax rate, %	20.6	21.2

TX:2 Deferred tax

SEK million	2021	2020
Deferred tax assets (+)/tax liabilities (-) for temporary differences in:		
Stock of financial instruments	-6	-11
Hedging instruments	-219	-575
Total	**-225**	**-586**
Change in deferred tax		
Deferred tax in the income statement	4	5
Deferred tax attributable to items recognised directly against other comprehensive income	357	-77
Total	**361**	**-72**
Deferred tax distributed by expected maturity date, carrying amount		
More than 1 year	-225	-586
Total	**-225**	**-586**

A Assets

pp. 46–49

A:1 Lending to credit institutions

SEK million	2021	2020
Lending in SEK	1	1
Lending in foreign currency	0	0
Total	**1**	**1**
of which, repos	*1*	*1*

Interest-bearing securities that SCBC purchases with an obligation to sell at a predetermined price are not recognised in the balance sheet, while the purchase price paid is recognised in the balance sheet under Lending to credit institutions. The securities are regarded as collateral received and can be pledged or sold by SCBC. In the event that the counterparty is unable to meet its repurchase obligation, SCBC is entitled to keep the security. The fair value of collateral received was SEK 3 million (0), of which – (–) was pledged or sold.

A:2 Lending to the public

SEK million	2021	2020
Opening balance	**398,029**	**358,936**
Transferred to/from Group companies	90,073	79,286
Repayment of borrowings	-928	-780
Redemption	-45,116	-39,393
Confirmed losses	-3	-2
Change in provision for expected credit losses [1]	12	-18
Closing balance	**442,067**	**398,029**

[1] For more information, please refer to Note IC 5.

Distribution of lending, including provisions, SEK million	2021	2020
Lending, Residential mortgages	330,094	306,344
Lending, Corporate Clients & Tenant-Owners' Associations	111,973	91,685
Total	**442,067**	**398,029**

Lending to the public by credit stage — compared with opening balance

SEK million	31 Dec 2021	31 Dec 2020
Credit stage 1		
Gross lending	422,471	380,031
Provision	-40	-42
Total	**422,431**	**379,989**
Credit stage 2		
Gross lending	19,500	17,911
Provision	-55	-64
Total	**19,445**	**17,847**
Credit stage 3		
Gross lending	215	218
Provision	-24	-25
Total	**191**	**193**
Total gross lending	**442,186**	**398,160**
Total provisions	**-119**	**-131**
Total	**442,067**	**398,029**

For more information regarding changes pertaining to gross lending and loss allowances for the respective credit stages and segments, please refer to Note RC:1.

A:3 Derivatives and hedge accounting

SEK million	2021 Assets measured at fair value	2021 Liabilities measured at fair value	2021 Nominal amount	2021 Year's value change on hedge ineffectiveness	2020 Assets measured at fair value	2020 Liabilities measured at fair value	2020 Nominal amount	2020 Year's value change on hedge ineffectiveness
Derivatives in fair value hedges								
Interest-rate-related	1,760	1,284	296,585	-2,383	3,153	351	242,243	809
Currency-related	–	–	–	-18	0	49	547	-8
Total	**1,760**	**1,284**	**296,585**	**-2,401**	**3,153**	**400**	**242,790**	**801**
Derivatives in cash-flow hedges								
Interest-rate-related	1,702	251	68,612	-1,881	3,413	–	77,016	576
Currency-related	2,428	584	69,019	150	2,698	1,263	77,432	-112
Total	**4,130**	**835**	**137,631**	**-1,731**	**6,111**	**1,263**	**154,448**	**464**
Other derivatives								
Interest-rate-related	12	1	15,400		25	27	29,090	
Currency-related	–	–	–		–	–	–	
Total	**12**	**1**	**15,400**		**25**	**27**	**29,090**	

Currency interest-rate swaps are classified as currency-related.

Derivatives allocated by remaining maturity, carrying amounts

SEK million	2021 Fair value	2021 Nominal amount	2020 Fair value	2020 Nominal amount
Maximum 3 months	267	9,022	756	39,959
3–12 months	604	69,224	836	69,138
1–5 years	1,773	271,601	2,119	224,971
Longer than five years	1,138	99,769	3,888	92,260
Total	**3,782**	**449,616**	**7,599**	**426,328**

Hedged items in fair value hedges:

SEK million	Carrying amount	Revaluation for the period of hedged items in fair value hedges	Accrued value adjustment from fair value hedges	Gain/loss on terminated hedges	Remaining accrued value adjustment on terminated hedges
	2021				
Assets					
Lending to the public	121,326	–	–	–	–
Value changes of interest-rate-risk hedged items in macro hedges	-563	-708	-564	3	1
Total assets	**120,763**	**-708**	**-564**	**3**	**1**
Liabilities					
Issued debt securities, etc.	174,541	-3,088	-458	–	–
Total liabilities	**174,541**	**-3,088**	**-458**	**–**	**–**
Net assets – liabilities	**-53,778**	**2,380**	**-106**	**3**	**1**
Hedging instruments		-2,401			
Ineffectiveness		-21			

SEK million	Carrying amount	Revaluation for the period of hedged items in fair value hedges	Accrued value adjustment from fair value hedges	Gain/loss on terminated hedges	Remaining accrued value adjustment on terminated hedges
	2020				
Assets					
Lending to the public	99,772	–	–	–	–
Value changes of interest-rate-risk hedged items in macro hedges	142	322	144	1	-2
Total assets	**99,914**	**322**	**144**	**1**	**-2**
Liabilities					
Issued debt securities, etc.	148,201	1,121	2,630	–	–
Total liabilities	**148,201**	**1,121**	**2,630**	**–**	**–**
Net assets – liabilities	**-48,287**	**-799**	**-2,466**	**1**	**-2**
Hedging instruments		801			
Ineffectiveness		2			

Hedged items in cash-flow hedges

SEK million	Revaluation for the period of hedged items in cash-flow hedges	Accrued value adjustment from cash-flow hedges	Gain/loss on terminated hedges reclassified to Net result of financial transactions	Remaining accrued value adjustment on terminated hedges
	2021			
Hedged items in cash-flow hedges:				
Hedged items/Hypothetical derivatives	1,731	-1,062	–	–
Total	**1,731**	**-1,062**	**–**	**–**
Hedging instruments	-1,731			
Ineffectiveness	0			
Hedge reserve	**-1,731**	**1,062**	**–**	**–**

SEK million	2020 Revaluation for the period of hedged items in cash-flow hedges	Accrued value adjustment from cash-flow hedges	Gain/loss on terminated hedges reclassified to Net result of financial transactions	Remaining accrued value adjustment on terminated hedges
Hedged items in cash-flow hedges:				
Hedged items/Hypothetical derivatives	-464	-2,793	–	–
Total	**-464**	**-2,793**	**–**	**–**
Hedging instruments	464			
Ineffectiveness	0			
Hedge reserve	**464**	**2,793**		

Hedge ineffectiveness recognised in profit or loss:

SEK million	2021 Hedging gains and losses recognised in "Net result of financial transactions"	2020 Hedging gains and losses recognised in "Net result of financial transactions"
Fair value hedges	-21	2
Cash-flow hedges	0	–
Total	**-21**	**2**

The accounting policies for hedge accounting are described in Note G 1.
The Group's liquidity and market risks are described in notes RC 3 and RC 4.

A:4 Other assets

SEK million	2021	2020
Tax assets	–	–
Interest receivables	49	248
Total	**49**	**248**
Other assets distributed by remaining maturity, carrying amount		
Maximum 1 year	49	248
Total	**49**	**248**

A:5 Prepaid expenses and accrued income

SEK million	2021	2020
Accrued interest income	90	90
Other accrued income	28	23
Total	**118**	**113**
Prepaid expenses and accrued income distributed by remaining maturity, carrying amount		
Maximum 1 year	116	110
More than 1 year	2	3
Total	**118**	**113**

L Liabilities

pp. 50–50

L:1 Liabilities to credit institutions

SEK million	2021	2020
Liabilities in SEK	15,411	10,612
Liabilities in foreign currencies	3	3
Total	**15,414**	**10,615**
of which, repos	*15,411*	*10,612*

L:2 Issued debt securities, etc.

SEK million	2021	2020
Bond loans		
Bond loans in SEK		
– at amortised cost	*55,335*	*36,404*
– in fair value hedges	*174,541*	*147,704*
Bonds loans in foreign currency		
– at amortised cost	*71,037*	*79,258*
– in fair value hedges	*–*	*497*
Total issued debt securities	**300,913**	**263,863**
of which, covered bonds	*300,913*	*263,863*

See also the Funding section, page 7.

L:3 Other liabilities

SEK million	2021	2020
Liabilities to employees	11	10
Group contribution paid[1)]	–	719
Other	32	14
Total	**43**	**743**
Other liabilities distributed by remaining maturity, carrying amounts		
Maximum 1 year	43	743
Total	**43**	**743**

1) SCBC paid a Group contribution of SEK – million (719) to the Parent Company SBAB and a Group contribution of SEK 30 million (30) to fellow Group company Booli Search Technologies AB.

L:4 Accrued expenses and deferred income

SEK million	2021	2020
Accrued interest expense	1,527	1,477
Other accrued expenses	87	91
Total	**1,614**	**1,568**
Accrued expenses and deferred income distributed by remaining maturity, carrying amounts		
Maximum 1 year	1,614	1,568
Total	**1,614**	**1,568**

L:5 Subordinated debt to the Parent Company

SEK million	2021	2020
Subordinated debt to the Parent Company	107,718	109,515
– Of which, internal Group MREL instruments	*11,000*	*6,000*
Total	**107,718**	**109,515**

Terms and conditions governing subordination
The subordinated debt is issued by the Parent Company. The subordinated debt is subordinate to the company's other liabilities in the event of receivership or liquidation, which means that it carries an entitlement to payment only after other claimants have received payment.

Internal Group MREL instruments
Of the subordinated debt to the Parent Company SBAB Bank AB (publ), which amounts to SEK 107,718 million (109,515), SEK 11,000 million (6,000) comprises an internal Group debt instrument (senior non-preferred notes) that was issued by SCBC to the Parent Company in December 2019 for the purpose of meeting the minimum requirement for own funds and eligible liabilities (MREL) announced by the Swedish National Debt Office in SCBC. The internal Group MREL instrument is subordinate to other subordinated debt to the Parent Company.

EQ Equity

pp. 51–51

EQ:1 Equity

The share capital amounted to SEK 50,000,000. On 31 December 2021, the number of shares was 500,000 (500,000), each with a quotient value of SEK 100. All shares are held by the Parent Company, SBAB Bank AB (publ), Corp. Reg. No. 556253-7513. Unrestricted equity in SCBC amounts to SEK 19,477 million (19,193).

Group contributions are proposed by the Board in accordance with the provisions of the Companies Act and are resolved by the Annual General Meeting, refer to Note G 3.

Further information on changes in equity is provided on page 18.

Specification of changes in the fair value reserve

SEK million	2021	2020
Cash-flow hedges, opening balance	**2,217**	**1,830**
Unrealised change in value over the year	534	-2,892
Reclassified to profit or loss during the year	-2,265	3,356
Tax attributable to the change	357	-77
Cash-flow hedges, closing balance	**843**	**2,217**
Total	**843**	**2,217**

AC Assets pledged for own liabilities

pp. 51–51

AC:1 Assets pledged for own liabilities

SEK million	2021	2020
Loan receivables	407,754	358,910
Total	**407,754**	**358,910**

Of the total lending portfolio, see Note A 1 and Note A 2 "Lending to credit institutions," the values reported above represent the carrying amount for the cover pool for covered bonds, which amounted to SEK 300.9 billion (263.8).

Loan receivables pledged as collateral mainly consist of the registered cover pool benefiting holders of covered bonds issued by SCBC and SCBC's covered derivative counterparties. In the event that the company becomes insolvent, the holders of the covered bonds and the covered derivatives counterparties have priority rights to the pledged assets under the Covered Bonds Issuance Act and the Rights of Priority Act.

Further information on loan receivables and repos is given in Note G 1.

FI Financial instruments

pp. 52–54

FI:1 Classification of financial instruments

Financial assets

	31 Dec 2021				
	Financial assets measured at FVTPL				
SEK million	Derivatives in hedge accounting	Other (Obligatory) classification	Financial assets measured at amortised cost	Total	Total fair value
Lending to credit institutions	–	–	1	1	1
Lending to the public	–	–	442,067	442,067	440,636
Value changes of interest-rate-risk hedged items in macro hedges	–	–	-563	-563	–
Derivatives	5,890	12	–	5,902	5,902
Other assets	–	–	23	23	23
Prepaid expenses and accrued income	–	–	118	118	118
Total	**5,890**	**12**	**441,646**	**447,548**	**446,680**

Financial liabilities

	31 Dec 2021				
	Financial liabilities measured at FVTPL				
SEK million	Derivatives in hedge accounting	Held for trading	Financial liabilities measured at amortised cost	Total	Total fair value
Liabilities to credit institutions	–	–	15,414	15,414	15,414
Issued debt securities, etc.	–	–	300,913	300,913	303,221
Derivatives	2,119	1	–	2,120	2,120
Other liabilities	–	–	43	43	43
Accrued expenses and deferred income	–	–	1,614	1,614	1,614
Subordinated debt to the Parent Company	–	–	107,718	107,718	107,718
Total	**2,119**	**1**	**425,702**	**427,822**	**430,130**

Financial assets

	31 Dec 2020				
	Financial assets measured at FVTPL				
SEK million	Derivatives in hedge accounting	Other (Obligatory) classification	Financial assets measured at amortised cost	Total	Total fair value
Lending to credit institutions	–	–	1	1	1
Lending to the public	–	–	398,029	398,029	398,029
Value changes of interest-rate-risk hedged items in macro hedges	–	–	143	143	–
Derivatives	9,264	25	–	9,289	9,289
Other assets	–	–	16	16	16
Prepaid expenses and accrued income	–	–	13	113	113
Total financial assets	**9,264**	**25**	**398,302**	**407,591**	**407,911**

Financial liabilities

	31 Dec 2020				
	Financial liabilities measured at FVTPL				
SEK million	Derivatives in hedge accounting	Held for trading	Financial liabilities measured at amortised cost	Total	Total fair value
Liabilities to credit institutions	–	–	10,615	10,615	10,615
Issued debt securities, etc.	–	–	263,863	263,863	268,302
Derivatives	1,663	27		1,690	1,690
Other liabilities	–	–	744	744	744
Accrued expenses and deferred income	–	–	1,568	1,568	1,568
Subordinated debt to the Parent Company	–	–	109,515	109,515	109,515
Total financial liabilities	**1,663**	**27**	**386,305**	**387,995**	**392,434**

Fair value measurement of financial instruments
The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note G 1. In the Total fair value column above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet. The carrying amounts for current receivables and liabilities, including subordinated debt to the Parent Company, have been assessed as equal to their fair values. For Lending to the public, the fair value of issued debt securities is established based on generally accepted valuation techniques. Calculations made in conjunction with measurement are based on observable market data with the exception of the credit margin when valuing lending to the public. The models are based on discounted cash flows. Issued securities are measured at the current borrowing interest rate, Level 2. For lending to the public, where no observable credit margin data is available at the time of measurement, the credit margin on the most recent stipulated date of expiry is applied to set the discount rate, Level 3.

FI:2 Fair value disclosures

	2021				2020			
SEK million	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Derivatives	–	5,902	–	5,902	–	9,289	–	9,289
Total	–	**5,902**	–	**5,902**	**–**	**9,289**	**–**	**9,289**
Liabilities								
Derivatives	–	2,120	–	2,120	–	1,690	–	1,690
Total	–	**2,120**	–	**2,120**	**–**	**1,690**	**–**	**1,690**

In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement methods used.
No transfers were made between levels in 2020 and 2021.

Quoted market prices (Level 1)
Measurement at quoted prices in an active market for identical assets and liabilities. A market is deemed to be active if the price data is easily accessible and corresponds to actual regularly occurring transactions. This measurement method is currently not used on any asset or liability.

Measurement based on observable market data (Level 2)
Measurement aided by external market information other than quoted prices included in Level 1, such as quoted interest rates or prices for closely related instruments. The main tools used are models based on discounted cash flows. This group includes all non-quoted derivatives.

Measurement based in part on unobservable market data (Level 3)
Measurement whereby a material input in the model is based on estimates or assumptions that do not originate directly from the market. This method is currently not used on any asset or liability.

FI:3 Offsetting disclosures

Financial instruments offset in the balance sheet or encompassed by netting agreements

2021

SEK million	Amounts reported in the balance sheet: Amounts subject to offsetting	Amounts reported in the balance sheet: Amounts not offset in the balance sheet	Related amounts not offset in the balance sheet: Amounts reported in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Provided (+)/ Received (-) collateral – securities	Related amounts not offset in the balance sheet: Provided (+)/ Received (-) cash collateral	Net amount
Assets							
Derivatives	5,902	–	5,902	-2,120	–	0	3,782
Repos	9,121	-9,120	1	–	0	0	1
Liabilities							
Derivatives	-2,120	–	-2,120	2,120	–	0	0
Repos	-24,530	9,120	-15,410	–	15,245	0	-165
Total	**-11,627**	**0**	**-11,627**	**0**	**15,245**	**–**	**3,618**

2020

SEK million	Amounts reported in the balance sheet: Amounts subject to offsetting	Amounts reported in the balance sheet: Amounts not offset in the balance sheet	Related amounts not offset in the balance sheet: Amounts reported in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Provided (+)/ Received (-) collateral – securities	Related amounts not offset in the balance sheet: Provided (+)/ Received (-) cash collateral	Net amount
Assets							
Derivatives	9,289	–	9,289	-1,641	–	–	7,648
Repos	296	-296	1	–	1	–	1
Liabilities							
Derivatives	-1,690	–	-1,690	1,641	–	–	-49
Repos	-10,907	296	-10,612	–	10,555	–	-56
Total	**-3,012**	**0**	**-3,012**	**0**	**0**	**–**	**7,544**

To limit the potential counterparty risk associated with derivative transactions involving non-standardised derivatives that are not cleared by clearing organisations approved by the competent authority (in accordance with Regulation (EU) No 648/2012), a framework agreement is to be entered into with the counterparty. Where appropriate, such framework agreements, which are known as ISDA Master Agreements or similar agreements, have been supplemented with associated collateral agreements, known as a Credit Support Annex (CSA). A CSA must always be established for counterparties entering into derivative contracts with SCBC.

Counterparty risk is reconciled on a daily basis for all counterparties. Reconciliation is performed on a daily basis or on a weekly basis if a CSA has been entered into. When CSAs are in place, collateral is pledged to reduce net exposures. Wherever applicable, the posted and received collateral takes the form of cash with a transfer of title, which entitles the party that receives the collateral to use the collateral in its operations. Repos are recognised in the balance sheet under the headings Lending and Liabilities to credit institutions, respectively.

For further information on offsetting, see Note RC 2, in the section on Counterparty risk.

The Board of Directors' signatures

The Board and the CEO certify that the annual accounts were prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and in accordance with generally accepted accounting practices for credit market companies, and provide a true and fair view of the company's position and earnings. In accordance with Chapter 6, Section 2, Item 2 of the Annual Accounts Act for Credit Institutions and Securities Companies, the Board considers the company's equity to be sufficient in relation to the scope and risks of the operations.

The administration report provides an accurate overview of the operations, financial position and performance of the company, and describes the significant risks and uncertainties faced by the company.

Solna, 21 March 2022

Jan Sinclair
Chairman of the Board

Jane Lundgren Ericsson
Board Member

Mikael Inglander
Board Member

Synnöve Trygg
Board Member

Fredrik Jönsson
CEO

Our audit report was submitted on 21 March 2022

Deloitte AB
Patrick Honeth
Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders of Swedish Covered Bond Corporation (publ) corporate identity number 556645-9755ww

Report on the annual accounts

Opinions

We have audited the annual accounts of Swedish Covered Bond Corporation (publ) ("SCBC") for the year 2021 except for the corporate governance statement on pages 10-13. The annual accounts of the company are included on pages 4-9 and 15-62 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the company as of December 31, 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 10-13. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the company.

Our opinions in this report on the annual accounts are consistent with the content of the additional report that has been submitted to the company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Judgments and estimates with respect to valuation of loan receivables

Recognition and measurement of financial instruments as regulated in IFRS 9 is a complex area with significant impact on SCBC's business and financial reporting. IFRS 9 is a complex accounting standard which requires significant judgment to determine the loan loss provision.

Key areas of judgment include:

- The interpretation of the requirements to determine loan loss provisions under application of IFRS 9, which is reflected in the Bank's expected credit loss model.
- The identification of exposures with a significant deterioration in credit quality.
- Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors (e.g. unemployment rates, interest rates, gross domestic product growth, property prices).
- The impact from Covid-19 on the above key areas of judgment.

At December 31, 2021, loans to the public amounted to 442 067 million, with loan loss provisions of 119 million. Given the significance of loans to the public (representing 98% of total assets), the impact from the inherent uncertainty and subjectivity involved in assessing loan loss provisions, as well as the extensive disclosures required under IFRS 9, we consider this to be a key audit matter for our audit.

Refer to critical judgments and estimates in note G 1 in the financial statements and related disclosures of credit risk in note RC 1.

Our audit procedures included, but were not limited to:

- We evaluated relevant controls within the loan loss provision process to verify if they are appropriately designed and implemented during the year. We also obtained an understanding of the process for key decisions from management and committee meetings that form part of the approval process for loan loss provisions.
- We obtained an understanding of system-based and manual controls over the recognition and measurement of loan loss provisions and for key controls designed tests to verify if the controls were implemented during the year.
- We assessed, supported by our credit risk modelling specialists, the modelling techniques and model methodologies against the requirements of IFRS 9. We assessed the sufficiency of a selection of the underlying models developed for loan loss provisions.
- As part of the above audit procedures, we have considered the impact of Covid-19.
- Finally, we assessed the completeness and accuracy of the disclosures relating to loan loss provision to assess compliance with disclosure requirements included in IFRS.

IT-systems that support complete and accurate financial reporting

SCBC is dependent on their IT-systems to (1) serve customers, (2) support their business processes, (3) ensure complete and accurate processing of financial transactions and (4) support the overall internal control framework. Many of SCBC's internal controls over financial reporting are depending upon automated application controls and completeness and integrity of reports generated by the IT-systems. Given the high dependency on technology, we consider this to be a key audit matter for our audit.

We categorise key IT-risk and control domains relating to financial reporting in the following sections:

Changes to the IT-environment
Operations and monitoring of the IT-environment
Information security

Changes to the IT-environment

Inappropriate changes to the IT-environment may result in systems that do not function as expected and result in unreliable data processing with impact on financial reporting. Hence SCBC has implemented processes and controls to support that changes to the IT-environment are appropriately implemented and function consistently with management's intentions.

Our audit procedures included, but were not limited to:

- We assessed management principles and processes for change management in the IT-environment.
- We assessed management monitoring of changes in the IT-environment.
- We evaluated segregations of duties.

Operations and monitoring of the IT-environment
Inappropriate operation and monitoring of the IT-environment may result in the inability to prevent or detect incorrect data processing. Hence SCBC has implemented processes and controls to support that IT-environment is monitored continuously and that incorrect data processing is identified and corrected.

Our audit procedures included, but were not limited to:
- We evaluated the appropriateness of IT-System job scheduling and alarm configuration capabilities.
- We evaluated the process for monitoring IT-System.

Information security
If logical security tools and controls are not configured, implemented and appropriately, key control activities may be ineffective, desired segregation of duties may not be maintained, and information may be modified inappropriately, become unavailable or disclosed inappropriately. This is of particular importance considering the current cyber threat level. Hence SCBC has implemented processes and controls to support that information is safeguarded through access controls and that known vulnerabilities are managed timely.

Our audit procedures included, but were not limited to:
- We evaluated the process for identity and access management, including access granting, change and removal.
- We evaluated the process and tools that management use for the purpose of ensuring availability of data as per user request and business requirements.
- We evaluated the appropriateness of controls for security governance to protect systems and data from unauthorised use.

Other information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-67 and 187-203. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibilities for the audit of the annual accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Swedish Covered Bond Corporation (publ) for the financial year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:
- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the annual accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 10-13 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Deloitte AB was appointed auditor of Swedish Covered Bond Corporation (publ) by the general meeting of the shareholders on April 28, 2021 and has been the company's auditor since April 28, 2016.

Stockholm March 23, 2022
Deloitte AB

Signature on Swedish original
Patrick Honeth
Authorised Public Accountant

Five-year overview

Income-statement items

SEK million	2021	2020	2019	2018	2017
Interest income	5,517	5,550	5,141	4,495	3,684
Interest expense	-1,995	-2,396	-2,306	-1,426	-829
Net interest income	**3,522**	**3,154**	**2,835**	**3,069**	**2,855**
Other operating income[1)]	-105	-146	-55	-162	-124
Total operating income	**3,417**	**3,008**	**2,780**	**2,907**	**2,731**
Operating expenses	-1,305	-1,190	-1,055	-902	-761
Total operating expenses	**-1,305**	**-1,190**	**-1,055**	**-902**	**-761**
Profit before credit losses	2,112	1,818	1,725	2,005	1,970
Net credit losses	7	-21	-12	-26	12
Operating profit	**2,119**	**1,797**	**1,713**	**1,979**	**1,982**

Balance-sheet items

SEK million	2021	2020	2019	2018	2017
Lending portfolio	442,067	398,029	358,936	339,370	312,199
Deferred tax assets	0	0	0	0	0
Other assets	5,507	9,794	11,283	7,017	4,385
Total assets	**447,574**	**407,823**	**370,219**	**346,387**	**316,584**
Issued debt securities, etc.	300,913	263,863	246,774	234,774	204,153
Other liabilities	19,191	14,616	2,719	2,309	3,014
Deferred tax liabilities	225	586	514	136	39
Subordinated debt to the Parent Company	107,718	109,515	102,180	90,414	92,593
Equity	19,527	19,243	18,032	18,754	16,785
Total liabilities and equity	**447,574**	**407,823**	**370,219**	**346,387**	**316,584**

Key metrics

%	2021	2020	2019	2018	2017
Net interest margin	0.82	0.81	0.79	0.93	1.01
Credit loss ratio	0.00	-0.01	0.00	-0.01	0.00
C/I ratio	38	40	38	31	28
Return on assets	0.4	0.4	0.4	0.5	0.5
Return on equity	9,4	8.5	7.8	8.8	9.7
CET1 capital ratio without transitional rules	16.3	16.3	17.0	17.1	78.0
Tier 1 capital ratio without transitional rules	16.3	16.3	17.0	17.1	78.0
Total capital ratio without transitional rules	16.3	16.3	17.0	17.1	78.0
Total capital ratio with transitional rules	16.3	16.3	17.0	17.1	9.7
Equity ratio	4.4	4.7	4.9	5.4	5.3
Consolidation ratio	4.4	4.9	5.0	5.5	5.3
Number of employees	40	36	33	38	26

1) The item includes net commission, the net result of financial transactions and other operating income.

Alternative performance measures

Alternative performance measures (APMs) are financial metrics of historical or future performance, financial position or cash flows that are not defined in the applicable rules for financial reporting (for example, IFRS and the Swedish Annual Accounts Act) or in the EU's Capital Requirements Directive (CRD IV)/ Capital Requirements Regulation (CRR).

SCBC uses APMs when these are relevant for the presentation and follow-up of the Group's financial position and when these metrics are deemed to provide additional valuable information to readers of the financial reports. SCBC has also chosen to present the APMs as they are in common use within the industry. APMs can be calculated with various approaches and, accordingly, SCBC's metrics are not directly comparable with similar metrics presented by other companies.

Credit loss ratio

Definition: Credit losses in relation to total lending (closing balances).

The APM aims to provide the reader with further information regarding the relative ratio of credit losses to total lending.

SEK million	2021	2020
Credit losses	7	-21
Lending to the public	442,067	398,029
Credit loss ratio, %	**0.00**	**-0.01**

Return on equity

Definition: Profit after tax in relation to average (calculated using the opening and closing balances) equity, after adjustment for value changes in financial assets recognised in equity.

The APM aims to provide the reader with further information regarding SCBC's profitability.

SEK million	2021	2020
Profit after tax	1,682	1,413
Average equity	17,855	16,613
Return on equity, %	**9.4**	**8.5**

Net interest margin

Definition: Net interest income in relation to average (calculated using the opening and closing balances for the reporting period) total assets.

The APM aims to provide the reader with further information regarding SCBC's profitability.

SEK million	2021	2020
Net interest income	3,522	3,154
Average total assets	427,699	389,021
Net interest margin, %	**0.82**	**0.81**

C/I ratio

Definition: Total operating expenses, before credit losses, in relation to total operating income.

The APM aims to provide the reader with further information regarding SCBC's cost/efficiency.

SEK million	2021	2020
Total operating expenses, excluding credit losses, SEK million	-1,305	-1,190
Total operating income	3,417	3,008
C/I ratio, %	**38**	**40**

Definitions of other key performance indicators

Number of employees	Number of employees
Return on assets	Net profit for the period after tax in relation to average total assets
CET1 capital ratio	CET1 capital in relation to risk-weighted assets
Total capital ratio	Own funds in relation to risk-weighted assets
Tier 1 capital ratio	Tier 1 capital in relation to risk-weighted assets
Equity ratio	Equity in relation to total assets at year end
Consolidation ratio	Equity and deferred tax in relation to total assets at year end

SCBC!

Covered bonds of SBAB